

## **Privatisation by stealth: The case of Chinese Public Sector Agriculture**

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### **Abstract**

This paper examines China's gradual transition from public sector agriculture to market-oriented farming through privatisation through the Chinese Communist Party never used this word. Beginning with the catastrophic failures of the People's Commune System (1958-1978), which resulted in widespread famine and rural poverty affecting over 95% of the population, the study traces the transformative impact of the Household Responsibility System (HRS) introduced in 1978. Through systematic analysis of agricultural output data, rural income statistics, and policy evolution, we demonstrate how China dismantled public sector agriculture without explicitly using privatisation terminology. The HRS catalysed successive reforms including Township and Village Enterprises, market liberalisation, land tenure reforms, and the contemporary Rural Revitalisation Strategy. These stealth privatisation measures increased grain production from 305 million tonnes (1978) to 657 million tonnes (2023) while reducing rural poverty from 30.7% to official elimination by 2021, offering valuable lessons for public enterprise reform globally.

**KEYWORDS:** Public sector agriculture; Rural poverty; Agricultural reform; Township and Village Enterprises; Rural revitalisation strategy

### **Introduction**

In most developing countries, privatisation is a dirty word. It is viewed as promoting inequality and corruption (Reinsberg et al., 2020). Many governments are wary of using the word privatisation. In India, they use the word 'disinvestment'. Some countries use the words like 'divestiture', 'denationalisation', even contrarian 'peoplisation'. It could be argued that though

privatisation inevitably leads to concentration of wealth and resulting inequality, the resulting growth in production, if properly distributed could benefit the poor (Adams, 2006; Peña-Miguel & Cuadrado-Ballesteros, 2021).

Because the terms ‘private ownership’ and ‘privatisation’ are ideologically problematic in a communist environment, the Chinese Communist Party avoids using them in policy papers. The politically correct term for ‘private’ is ‘nonpublic’, and vague terms like ‘ownership transformation’ and ‘change of ownership’ are used in place of ‘privatisation’ (Cao, Qian, and Weingast 1999). Another example of this formalism is the ‘collectivisation’ of public enterprises, which muddies the definition of collectives in practice. These newly ‘collectivised public enterprises’ essentially underwent privatisation, in contrast to the previous ‘collectively owned enterprises’ (from the 1950s), which were a component of the public sector and frequently privatised subsequently (Chen et al., 2021). Privatisation by stealth of the Chinese industry, its methodology and its effect on society have been studied in great detail from various perspectives (e.g., Zhang, 2023). That of agriculture has been studied less although it too has led to spectacular results.

Many countries across the world ensure food security through public enterprises on the supply and distribution side (Smith, 2023). China, following the Soviet Union sought to do it by state control on the production side as well. In 1958 with the onset of the Great Leap Forward, Chinese agriculture came under public sector control with the abolition of private agricultural property. Grain production and distribution were centrally controlled, with the state imposing quotas on agricultural output and implementing systems of compulsory state purchases at fixed prices (Harrell, 2021). Virtual nationalisation, which aimed to eliminate private land ownership, combine agricultural resources, and increase production through extensive community farming, promised modernisation and equality. Approximately 740,000 agricultural cooperatives had been amalgamated into 26,000 communes, incorporating more than 120 million rural households. The state exercised complete control over agricultural decisions—determining crop varieties, establishing production targets, and managing resource allocation—frequently disregarding local environmental conditions and traditional farming knowledge. Remuneration was distributed uniformly amongst commune participants regardless of individual productivity, thereby severing the connection between effort and compensation. Theoretically, this arrangement aimed to modernise agricultural practices, exploit economies of scale, and promote socialist equality

through equitable resource distribution. Instead, it brought about inefficiency, stagnation, and one of the worst famines in contemporary history. An estimated 15 to 45 million people died during the Great Chinese Famine between 1959 and 1961, highlighting the structural problems with public sector governance (Dikötter, 2010; Li & Yang, 2005).

Agricultural output stayed flat—per capita grain production showed little change between the early 1950s and 1978, remaining at about 300 million tonnes per year, while rural poverty impacted more than 95% of the population in the 1950s and more than 250 million people were still living in poverty by 1978 (Ravallion & Chen, 2007). Given their lack of operational autonomy and consistent compensation regardless of output, farmers lacked the will to innovate or increase yields, which left rural China mired in social discontent and economic distress (Ash, 1988). The commune system had become unsustainable by the late 1970s due to poor rural wages and grain production that was insufficient to meet the needs of a growing population, demanding extensive restructuring.

### **Dismantling public sector**

Within this context, the Household Responsibility System (HRS) emerged in 1978 as a revolutionary response to prolonged agricultural and economic stagnation. Originating from a covert agreement amongst farmers in Xiaogang village, Anhui province, the HRS dismantled collectivisation through the allocation of state-owned land to individual households, conferring upon them autonomy regarding production decisions and the entitlement to retain surplus following the fulfilment of state quotas. This transition reestablished personal incentives, thereby initiating an agricultural revival that witnessed grain production increase by over 50% between 1978 and 1984, with rural poverty declining substantially in ensuing decades (Deakin & Meng, 2022). Yet the HRS represented more than an isolated policy intervention; it catalysed a succession of reforms encompassing the emergence of Township and Village Enterprises (TVEs) during the 1980s, market liberalisation throughout the 1990s, land rights reforms in the 2000s, and the comprehensive Rural Revitalisation Strategy of 2018, which collectively transformed rural China's economic and social infrastructure.

The pivotal function of the HRS in dismantling public sector agriculture in China led to alleviating rural poverty in China. The HRS not only freed people from the constraints of collectivisation but also set the stage for decades of flexible, market-oriented reforms by re-establishing human agency and tying effort to reward. By doing this, it changed rural China from

a place of scarcity to a vibrant force in the country's economic development, providing a model of practical policy evolution with implications that go well beyond its boundaries.

Building on the HRS framework, agricultural revival accelerated by 1990, with grain production reaching 407.3 million tonnes by 1984—a 34% increase from the 1978 baseline—whilst simultaneously more than doubling rural incomes during this period (Lin, 1987, 1988). TVEs had subsequently broadened economic diversity, engaging 105 million workers by 1990 and accounting for 25% of national GDP. Despite these gains, the state's "unified purchase and sale" mechanism constrained farmers' earning capacity, with grain sold to government agencies at subsidised rates in 1990. The market-oriented reforms and grain liberalisation policies of the 1990s, initiated circa 1991 and accelerated by 1993, relaxed these constraints, reducing quotas and subjecting rural produce to market dynamics. Drawing upon the HRS's foundation of individual autonomy, these reforms converted farmers into proactive market participants, enhancing rural prosperity notwithstanding emerging difficulties.

The central element of these reforms constituted a substantial reduction in state procurement quotas. By 1993, quotas had contracted by 20%, freeing approximately 50 million tonnes of grain—equivalent to 12% of the annual harvest—for farmers to market at prevailing prices. This transition, from virtually complete state control (90% of grain in 1990) to a more equilibrated arrangement (30% by 1998), drove prices fourfold. Rural markets prospered, enabling farmers to trade surplus grain, vegetables, and cash crops such as cotton directly with purchasers. This market integration catalysed diversification: vegetable production doubled from 110 million tonnes in 1985 to 220 million tonnes by 1993, whilst cotton output expanded from 3.8 million tonnes in 1990 to 4.8 million tonnes by 1996—constituting a 25% rise. Capitalising upon the HRS's inheritance, farmers—already adept at optimising yields—now calibrated production with demand, further enhancing agricultural value.

The economic consequences proved remarkable, establishing the 1990s as a decade of rural vitality. Rural per capita income increased by 130% between 1990 and 1995, with 40% of this growth attributable to enhanced grain earnings. Grain output stabilised at 435 million tonnes by 1995, reflecting a 7% increase from 1990, demonstrating sustained productivity despite diminished state requirements. Poverty continued its decline, falling from 18% in 1993 to 14% by 1997, elevating an additional 30 million rural inhabitants above subsistence thresholds. TVEs exploited this momentum, with employment rising from 105 million in 1990 to 130 million by 1995—a 24%

increase—as rural savings surged fourfold between 1985 and 1995, financing further investment in local enterprises. Coastal regions, particularly those proximate to ports such as those in Zhejiang, experienced incomes double those of inland areas by 1996, underscoring the reforms' uneven yet substantial impact.

Despite these gains, liberalisation generated tensions that challenged its sustainability. Grain price increases—50% in 1994 alone—triggered urban inflation, reaching 24% that year, as urban residents confronted tripled rice costs. The government responded with "guidance prices" for 30% of grain by 1998, representing a partial reversion to balance rural advances with urban stability. This compromise curtailed complete market freedom whilst preserving sufficient flexibility to maintain progress. Regional disparities likewise emerged, with inland provinces such as Gansu lagging behind coastal centres due to restricted market access and infrastructure. Rural demonstrations, though less frequent than in previous decades, occurred over inequitable benefits, indicating the reforms' incomplete equity. The urban-rural income differential widened marginally to 2.8:1 by 1995, suggesting the limitations of agriculture-led growth in addressing structural divisions.

### **Land privatisation**

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By the mid-2000s, rural China demonstrated the transformative legacy of the HRS and its successive extensions. Cereal production had increased from 304.8 million tonnes in 1978 to 500 million tonnes by 2007, rural incomes had grown by a third between 2004 and 2007. The TVEs had reached their zenith at 130 million positions in the 1990s before contracting to 100 million by 2005. Market liberalisation and land tenure legislation—from the 1993 tenure prolongation to the

2002 Rural Land Contracting Law—had consolidated farmers' use rights, with 87% of households possessing formal contracts by 2004. Since the privatisation was by stealth and not open, disparities in actual ownership of land remained (Krusekopf, 2002). For the 700 million rural inhabitants—60% of China's population—enduring challenges persisted: urban expansion consumed 250,000 hectares per annum, the urban-rural income differential widened to 3.3:1, and collective ownership constrained economic adaptability. Promulgated on 16 March 2007, following 13 years of consideration, the 2007 Property Law addressed these tensions by strengthening rural tenure security, incorporating HRS principles within a legal framework that enhanced farmer confidence whilst exposing the continuing limitations of China's land regime.

The 2007 Property Law represented a landmark in rural property rights, refining the usufructuary structure established by preceding reforms. Article 59 confirmed land as collectively owned by villages, whilst Articles 124 and 125 designated HRS contracts as legally protected "usufructuary rights," securing farmers' entitlements to utilise, derive profit from, and transfer their land. The legislation reinforced the 2002 leasing provisions, with contract coverage rising to 90% of households by 2008—an increase from 87%—and land disputes declining by 20% in surveyed villages between 2007 and 2010. The law implicitly extended the 30-year leases from 1993 beyond their original 2023 expiration, signalling permanence that encouraged long-term investment. This stability fostered agricultural diversification, with vegetable production surging 23% from 440 million tonnes in 2003 to 540 million tonnes by 2007, and pig production rising from 600 million head to 620 million over the same period. Rural incomes reflected this confidence, increasing 41% between 2004 and 2007, enhanced by market reforms' elevated prices.

The law's impact extended beyond agriculture, facilitating rural adaptation to China's urbanising economy. It supported the migration surge—150 million rural workers in cities by 2007, up from 121 million in 2000—by enabling families to lease land whilst earning urban wages, a pattern rooted in TVEs' earlier labour transitions. In pilot regions, 5% of farmers by 2010 employed land rights as collateral for loans, releasing capital for small enterprises. This flexibility stimulated early rural e-commerce, with online sales reaching high levels establishing foundations for subsequent Taobao Villages. Poverty continued to diminish, falling from 4% in 2003 to 2.5% by 2007, elevating another 30 million rural residents above subsistence levels. Infrastructure likewise progressed, with 90% of villages electrified by 2007, up from 85% in 2000, partially financed by rising rural incomes.

Notwithstanding these achievements, the 2007 Property Law inherited the limitations of collective ownership. Land remained non-transferable and unmortgageable on a large scale, restricting farmers' capacity to realise its full value. Urban expansion intensified, claiming 250,000 hectares annually, with compensation averaging 36% of the market value leaving the 20 million who had lost land by 2003, and more subsequently, inadequately compensated. This disparity generated protests, particularly in Guangdong, where land appropriations provoked unrest, though incidents decreased from 17,000 in 1999 to lower, albeit persistent, levels by 2007. The urban-rural income gap widened marginally to 3.3:1, highlighting the law's inability to address structural disparities despite raising rural earnings. Critics argue it prioritised stability over empowerment, granting farmers security rather than ownership—a compromise linked to the HRS's collective origins.

The 2007 Property Law consolidated the HRS's legacy, reinforcing tenure security amidst rapid modernisation. It built upon the 1990s' market liberalisation and the 2002 law's flexibility, providing legal protection that sustained agricultural growth, supported migration, and reduced poverty. Nonetheless, its collective framework revealed an unresolved contradiction: rural China remained subject to state and village control, unable to fully exploit its land's potential. This duality positioned the law as a solid foundation—raising incomes and reducing poverty to 2.5%—whilst establishing groundwork for the New Socialist Countryside Initiative and Rural Revitalisation Strategy, which would seek to address these gaps through broader investment and innovation.

### **Modernising rural China**

By the mid-2000s, rural China had experienced a profound transformation, propelled by the HRS, market-oriented reforms, and land tenure legislation. Cereal production had increased dramatically from 304.8 million tonnes in 1978 to 500 million tonnes by 2007, with 90% of households possessing secure land contracts under the 2007 Property Law. However, for the 500 million inhabitants who remained in rural areas—representing 40% of China's population—fresh obstacles had materialised: an urban-rural income disparity of 3.3:1, 150 million migrants departing villages and leaving them depopulated, and continuing land losses of 250,000 hectares per annum.

### ***New Socialist Countryside Initiative***

Launched at the 2005 National People's Congress and formalised within the 11th Five-Year Plan (2006–2010), the New Socialist Countryside Initiative aimed to "increase production,

improve living standards, maintain cleanliness, and ensure democratic governance". A cornerstone policy was the abolition of the agricultural tax in 2006 driving output to 546.5 million tonnes by 2010—a 10% increase from 2007's 500 million tonnes. Infrastructure received unprecedented investment. 85% of townships featured paved roads, doubling the 42% recorded in 1995. Education and healthcare advanced substantially, with 99% of rural children enrolled in nine-year education by 2012 (increasing from 80% in 2000) and a health insurance scheme covering 830 million rural residents by 2011, representing a tenfold increase from 80 million in 2003 (Zheng, 2022).

Building upon the market freedoms of the 1990s, the initiative sustained the HRS's legacy of autonomy. State grain quotas diminished to 20% of output by 2010, enabling farmers to sell 80% through open markets—a trend reflecting the 1999 peak of market-driven grain flows. This flexibility promoted diversification, with vegetable output climbing to 650 million tonnes by 2012—a 50% increase from 2007's 540 million tonnes. Digital connectivity also expanded, with 20% of rural households online by 2010, rising from 5% in 2005, presaging the emergence of rural e-commerce.

The New Socialist Countryside Initiative emphasised infrastructure development, achieving electrification in 90% of villages by 2007—an increase from 85% in 2000—and expanded road access, connecting 95% of townships by 2010. This modernisation enhanced agricultural efficiency, maintaining grain output stability at 500 million tonnes whilst diversifying production; vegetable yields, which had already reached 540 million tonnes by 2007, continued their upward trajectory. Rural incomes increased moderately, reflecting enhanced market access, although the urban-rural disparity remained at 3.3:1. The initiative also attempted to arrest village depopulation by improving living conditions; nevertheless, migration persisted unabated, with 150 million rural workers in urban areas by 2007. Land losses remained problematic, with paltry compensation.

These policies connected the HRS's legacy to a contemporary rural framework. The New Socialist Countryside Initiative revitalised infrastructure and livelihoods, whilst the Third Plenum Reforms enhanced land flexibility and productivity. Together, they maintained the HRS's fundamental principle—linking effort to reward—whilst adapting to urbanisation and market requirements. Although land losses and income disparities persisted, these measures elevated rural

China's economic vitality, with poverty virtually eliminated, creating the foundation for the ambitious Rural Revitalisation Strategy that would follow.

### ***Third Plenum Reforms (2013)***

The New Socialist Countryside Initiative connected the HRS's foundational achievements to a modern rural framework. Educational and healthcare improvements narrowed quality-of-life disparities, whilst market access and digital expansion indicated future economic potential. These achievements notwithstanding, land losses and the enduring urban-rural divide highlighted structural limitations, establishing the context for the Third Plenum Reforms and the broader Rural Revitalisation Strategy to address these gaps through further innovation and investment. Yet their reliance on community ownership and regional imbalances reflected the shortcomings of previous reforms, paving the way for the more ambitious aim of the Rural Revitalisation Strategy to address these enduring issues.

The Third Plenum Reforms of 2013 built upon the HRS model, which had restored individual farming incentives, by further, refining land tenure arrangements to strengthen rural resilience. Announced at the Third Plenary Session of the 18th Central Committee in November 2013 under Xi Jinping's emerging leadership, the Third Plenum Reforms refined rural land tenure arrangements within the 2007 Property Law framework (Brødsgaard & Grünberg, 2018). Land rights were delineated into three distinct elements—collective ownership, household contracts, and a transferable ‘management right’—enabling farmers to lease or exchange usage rights without altering ownership structures. By 2015, 30% of agricultural land—approximately 50 million hectares—was rented or consolidated into larger operations. This transformation facilitated mechanisation and economies of scale, raising grain production to 621 million tonnes by 2015, whilst rural per capita income rose by 150% from 2007 level. The reforms also introduced pilot schemes for land mortgages, with 5% of farmers in trial regions accessing credit by 2015, reflecting earlier collateral experiments. Poverty declined further, approaching 1% by 2015, lifting millions more as infrastructure and market connections deepened. These reforms notwithstanding, collective ownership remained, constraining complete privatisation, and the urban-rural income gap, whilst narrowing marginally, continued as a structural challenge.

By 2017, 15% of agricultural land—approximately 30 million hectares—was traded or rented, doubling the 7% recorded in 2004. Vegetable output reached 700 million tonnes by 2015—

a 30% increase from 2007's 540 million tonnes. Grain production rose to 621 million tonnes by 2015, a 14% increase from 2010's 546.5 million tonnes.

The reforms coincided with accelerating migration patterns—240 million rural workers resided in urban areas by 2015, increasing from 174 million in 2010—enabling families to lease land whilst earning urban wages, a pattern established by the TVEs. Rural e-commerce expanded rapidly, with a ten fold increase in online between 2007 and 2017, anticipating the emergence of Taobao Villages. Infrastructure development continued, with 95% of villages connected by roads by 2015, rising from 85% in 2010. poverty rates appeared to increase to 4.5% by 2015 from 1.6% in 2010; however, this reflected China's adoption of a higher poverty threshold rather than deteriorating conditions. Under the original threshold, poverty continued to decline.. Land losses continued at 250,000 hectares annually, with low compensation, generating unrest in regions such as Henan. The urban-rural income gap narrowed slightly to 2.7:1, yet collective ownership persisted, limiting complete marketisation.

### **Reimagining the Future**

By 2018, rural China exemplified decades of transformation initiated through the privatisation by stealth. Cereal production had increased from 304.8 million tonnes in 1978 to 621 million tonnes by 2015. TVEs, market liberalisation, and land tenure legislation had reduced poverty rates from 30.7% in 1978 to 1.6% by 2010. Nevertheless, for the 500 million rural inhabitants—comprising 36% of China's population—significant challenges remained: an urban-rural income disparity of 2.7:1, migration figures rising from 174 million in 2010 to 282 million by 2020, and annual land conversion of 200,000 hectares. Announced by Xi Jinping at the 19th Party Congress in 2017 and implemented in 2018, the Rural Revitalisation Strategy constituted an ambitious framework to transform rural China by 2050, supported by investment exceeding \$1 trillion through 2025. This strategy has utilised technology, infrastructure development, and market integration to enhance rural living standards, although disparities and structural constraints remain.

The strategy encompasses extensive objectives, addressing agricultural productivity, digital infrastructure, and rural tourism. Cereal output reached 657 million tonnes by 2023—representing a 20% increase from 2010's 546.5 million tonnes—facilitated by subsidies that doubled by 2020. Smart agricultural technologies, encompassing drones and precision farming, covered 20% of agricultural land by 2023, whilst average plot sizes doubled from 0.6 hectares in

2000 to 1.2 hectares, thereby improving yields. A 2018 policy extended HRS contracts for an additional 30 years beyond the 2020s, with 10% of farmers in pilot areas mortgaging usage rights by 2023, thereby accessing new capital.

Economic improvements have been substantial. The government proclaimed "absolute poverty elimination" in 2021, declining from 1.6% in 2010, though critics contend that the \$2.30 daily threshold underestimates persistent hardship. Infrastructure achieved near-universal provision, with 99% of villages connected by roads in 2023 (compared to 85% in 2010), strengthening market access and mobility. Migration stabilised at 286 million by 2023—marginally increasing from 282 million in 2020—as rural employment in e-commerce and tourism retained labour. Vegetable production reached 760 million tonnes in 2022, a 17% increase from 2012's 650 million tonnes, with state quotas declining to 15%, reflecting the market-oriented legacy of the 1990s. These developments amplify the HRS's emphasis on autonomy, enhanced through technology and investment.

While progress was substantial, the strategy's potential is constrained by persistent challenges. The urban-rural income gap narrowed to 2.5:1 by 2022 but remains considerable, with coastal villages earning 40% more than inland counterparts due to superior market access. Collective ownership often restricts land sales and widespread mortgaging, limiting capital accumulation for the 40 million who had forfeited plots by 2010—a figure likely higher by 2025. Technology adoption remains limited in remote areas, with only 65% internet coverage and 25% smart agricultural land projected by 2025, falling short of ambitious targets. These disparities highlight uneven revitalisation, wherein coastal prosperity contrasts with inland stagnation.

As of mid-2025, the Rural Revitalisation Strategy represents the culmination of HRS-driven reforms, integrating productivity gains (from HRS), diversification (TVEs), market liberalisation (1990s), and tenure security (2000s). Its \$1 trillion investment has elevated incomes and incorporated rural China into a digital economy with substantial in e-commerce sales. However, its dependence on state subsidies and collective ownership reflects earlier limitations, leaving structural inequalities unresolved. This phase reconfigures rural China as a modern, interconnected environment, yet its long-term success depends upon addressing regional disparities and empowering farmers beyond usage rights—a challenge that will determine its trajectory towards 2050.

## Conclusion

Privatisation by stealth, emerging from the clandestine pact of eighteen farmers in Xiaogang village in 1978, stands as one of the most transformative policy innovations in modern economic history. This study has traced its evolution from a desperate response to the catastrophic failures of the People's Commune System through to its contemporary manifestation in China's ambitious Rural Revitalisation Strategy. The evidence presented demonstrates unequivocally that this system, rooted in the Xiaogang innovation, served not merely as a corrective measure to decades of agricultural stagnation, but as the foundational catalyst for China's remarkable rural transformation, lifting hundreds of millions from poverty whilst establishing the institutional framework for sustained economic development.

The quantitative evidence is compelling: grain production surged from 304.8 million tonnes in 1978 to 657 million tonnes by 2023, rural incomes increased substantially and rural poverty plummeted from over 95% in the 1950s to its official elimination in 2021. Yet these figures, whilst striking, tell only part of the story. The system's true significance lies in its restoration of individual agency to China's rural population after decades of collectivist suppression. By reconnecting effort to reward, the system unleashed entrepreneurial energies that had lain dormant under the commune structure, creating a virtuous cycle of productivity improvements, income growth, and further investment.

The analysis reveals that the HRS's success stemmed from its elegant simplicity: granting farmers autonomy over production decisions whilst maintaining collective land ownership and state procurement quotas. This hybrid model struck a delicate balance between market incentives and state control, enabling rapid productivity gains without undermining political stability. The system's organic origins in Xiaogang village, subsequently scaled nationwide, demonstrated the power of bottom-up innovation in policy formulation—a marked departure from the top-down directives that had characterised Maoist governance.

Crucially, the HRS proved to be far more than a singular reform; it established the institutional foundation upon which subsequent waves of rural development were built. The emergence of the TVEs in the mid-1980s, employing over 130 million workers by the 1990s, directly capitalised upon the surplus labour and capital generated by agricultural productivity gains. The market liberalisation of the 1990s, which reduced state grain quotas from 90% to 30% of production, extended the HRS's logic of individual autonomy into commodity markets. The

land rights reforms of the 2000s, culminating in the 2007 Property Law, provided legal security for the tenure arrangements the HRS had established. Each successive reform built upon the HRS's core principle that individual incentives, properly structured, could drive collective prosperity.

The contemporary Rural Revitalisation Strategy, launched in 2018 with projected investments exceeding one trillion dollars through 2025, represents the latest evolution of the HRS framework. Its emphasis on technological modernisation, digital connectivity, and rural tourism reflects the system's adaptability to changing economic conditions whilst maintaining its foundational commitment to farmer autonomy.

Nevertheless, this study has also illuminated the persistent limitations inherent in the policy of privatisation by stealth. The retention of collective land ownership, whilst politically expedient, has constrained farmers' ability to fully capitalise upon their assets through sales or mortgages which would have been possible under a policy of outright privatisation. The ongoing urban-rural income disparity, despite narrowing to 2.5:1 by 2022, reflects structural inequalities that individual farming reforms alone cannot address. Regional variations in development outcomes, with coastal areas significantly outperforming inland regions, highlight the uneven distribution of the benefits of privatisation. Land expropriation for urban development continues to generate rural unrest, with compensation usually well below market values.

These limitations notwithstanding, significance of privatisation by whatever name cannot be overstated. It transformed China from a nation plagued by chronic food shortages and rural destitution into the world's largest agricultural producer and a global economic powerhouse. More fundamentally, it demonstrated that market-oriented reforms, carefully implemented within existing political frameworks, could generate rapid economic development without necessitating wholesale institutional upheaval. This lesson has profound implications not only for China's continued development but for other nations grappling with rural poverty and agricultural modernisation.

The impact of privatisation extends beyond its quantitative achievements to encompass a qualitative transformation in rural Chinese society. Farmers, once reduced to mere cogs in an insensitive public sector machine, regained their status as autonomous economic actors capable of innovation and entrepreneurship. This restoration of human agency, perhaps more than any statistical measure, represents the HRS's most enduring contribution to Chinese development.

Looking forward, the privatisation framework faces new challenges as China's economy continues its transition towards high-value manufacturing and services. Climate change, technological disruption, and evolving consumer preferences will test the system's adaptability. The ongoing urbanisation process, with over 286 million rural migrants now working in cities, raises questions about the long-term viability of small-scale farming operations. Yet the HRS's demonstrated capacity for evolution—from its origins in grain production through to contemporary e-commerce and rural tourism—suggests it possesses the institutional flexibility to navigate these challenges.

The efforts towards privatisation in the agriculture sector stand as a testament to the transformative power of well-designed incentive structures. By restoring individual agency whilst maintaining notional collective ownership, it bridged the seemingly irreconcilable divide between market efficiency and socialist ideology (Liu et al., 2023). Its success in lifting rural China from poverty to prosperity offers valuable lessons for policymakers worldwide, demonstrating that pragmatic reform, grounded in local conditions and responsive to farmer needs, can achieve remarkable developmental outcomes.

As China approaches the centenary of the People's Republic in 2049, privatisation in the field of agriculture and allied activities will undoubtedly continue to shape rural development strategies. Its foundational principle—that individual farmers, given appropriate incentives and autonomy, can drive prosperity—remains as relevant today as it was in 1978. In this respect, the eighteen farmers of Xiaogang village who dared to challenge the public sector did more than transform their own lives. They authored a new chapter in human development, one that continues to unfold across China's vast rural landscape and offers hope to impoverished communities worldwide.

## Notes

An earlier version of this paper was posted as a preprint on Preprint.org by the first author. The authors are thankful to three anonymous referees for helpful suggestions.

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