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INTRODUCTION: SOME PROBLEMS OF REGIONAL ECONOMIC DEVELOPMENT

In the PRC, contemporary history has often been a forbidden and somewhat dangerous field of interest for communist historians. One of the official taboos was, and still is, to recount any display of regional, political or social diversity. Officially, it is always society as a whole which marches forward or is pushed back on the road to socialist progress. It is the entire Chinese nation that suffers from foreign imperialism or from landlord exploitation, that fails in the Great Leap Forward or booms under Deng Xiaoping's liberalization. To a certain extent, this unitary tendency also conforms to older Chinese cultural and political beliefs. As a rule, Western historians or social scientists who would have liked to shatter these uniform images have been denied access to local sources. Until 1978, local publications such as provincial newspapers were not permitted to be carried out of China. The exceptional case of Guangdong province – across the border from Hongkong, with information from a steady flow of refugees, visitors and smuggled-in newspapers – was used to write the one and only provincial history since 1949, Ezra Vogel's *Canton under Communism* (1968). It focused on the successive waves of communist policies sweeping over Guangdong and their local political response. In contrast to Guangdong, much less antagonism and opposition between national and local leadership is evident in Shaanxi province. This may be due not only to the absence of such political discrimination as directed against southerners and against commercially-oriented, clan-dominated or foreign-influenced communities, but also to the very facts of economic life: Shaanxi province received a great deal of direct central government support for its economic development, not only during the 1950s but to this very day.

The focus of my study is not politics, but economic development,

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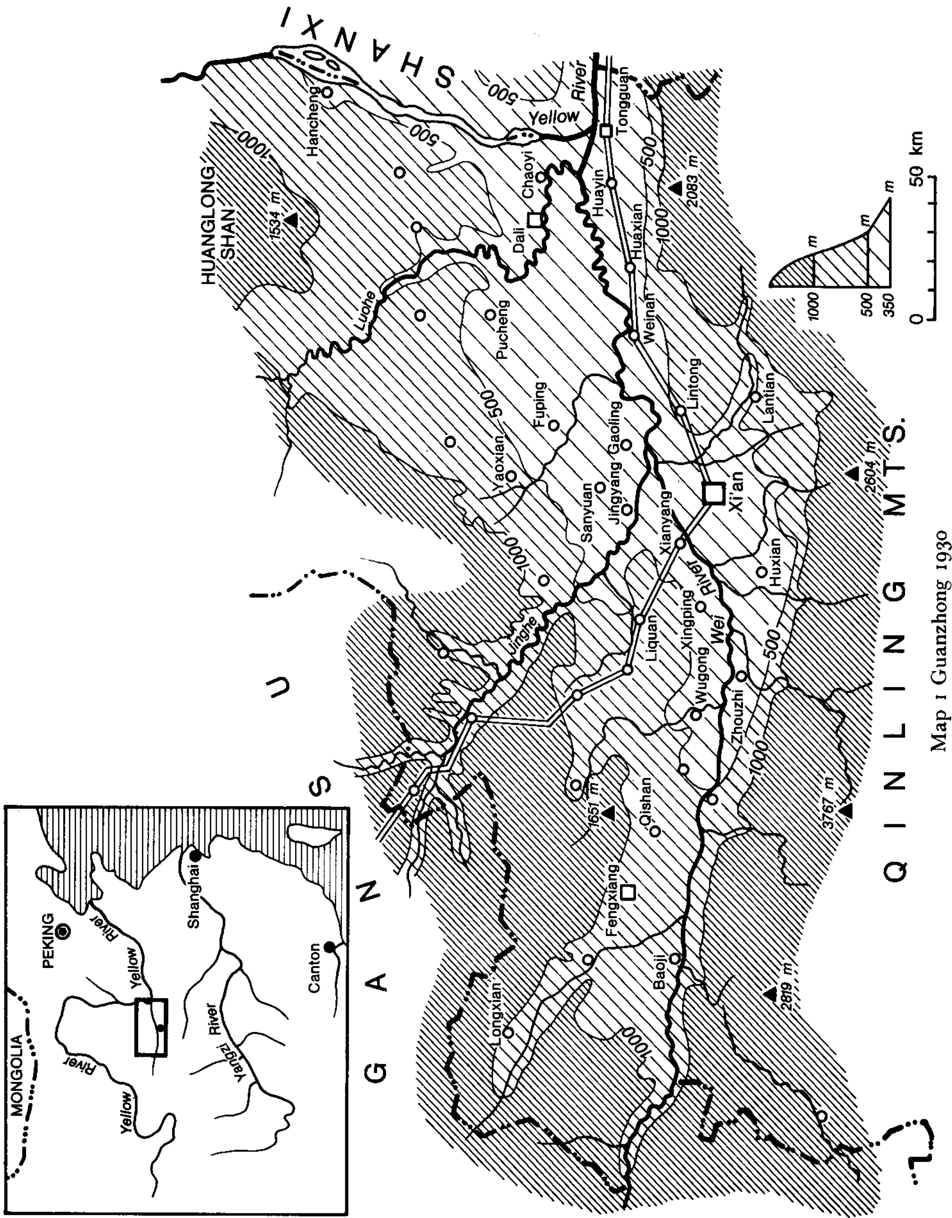

Map 1 Guanzhong 1930

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and not the province of Shaanxi, but its core region, the Wei River valley. More so than political ideas, economic development is tied down to a set territory with certain geographical conditions. This is particularly true for agriculture. Using almost exclusively local sources, I have tried to see the process of transformation of the economy and environment through the eyes of local farmers and county officials, while turning a deaf ear to political rhetoric. A detailed survey of 7 counties in 1979 gave me a fair cross-section of the regional economy.

The Wei River valley, which almost coincides with the Guanzhong area of Shaanxi, is a distinct economic region. Its size of some 30,000 square kilometers, and its present population of around 15 million are about equal to Taiwan, or to a small European country, such as Holland. The Qinling mountains separate Guanzhong from south Shaanxi, which is mostly mountainous and where rice grows along the Hanshui – this area is closer to Sichuan than to the rest of Shaanxi. In the north, the transition to the loess hills and mountains of Yan'an is more gradual.

All those who have studied China's economic and social history, whether imperial or republican, have been confronted with large variations between provinces, regions or even villages. Obvious dichotomies between town and country, between mountains and plains, between dry and irrigated agriculture have to be bridged to obtain an integral picture of the economy and society of China or of its major economic regions. At least in this century, there has been no such thing as a 'typical' Chinese region which could reflect the main processes of political, social and economic change. Rather, the many exogenous shocks, internal warfare and political strife have each time made China into a different jig-saw puzzle. At least until 1949, it was too large and too diverse for any government to handle. What one finds in this century is a politically and economically divided China before 1949, and a politically united but still economically very diverse China since the establishment of the People's Republic.

Where were Guanzhong and its capital city of Xi'an positioned along the major dividing lines of modern China's history? First, this was one of the most backward interior areas of China. It did not take part in what Fairbank has called the 'minor tradition of maritime China'. Xi'an was one of the few large cities (Taiyuan was another) which did not receive the 'treaty-port' status. Only after the Longhai railroad had been extended to Xi'an in 1935, outside (but not foreign)

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investments started to trickle into Guanzhong. Second, after 1930 Shaanxi (at least its central and southern parts) in theory was a Guomindang-controlled area. However, in most of north China, the Guomindang government had only a very feeble influence, and shared its political and military power with either Japanese, semi-independent or hostile groups. The northernmost parts of Guanzhong were bandit territory, and later came under communist control. Third, from 1937 onwards, much of China was occupied by the Japanese. Only the least developed areas in the interior could be sustained (from 1944 these were further reduced) as Free China. The economic history of wartime occupied China, and especially of its links with Free China, still needs a great deal of investigation. Shaanxi, like the province of Sichuan, escaped Japanese occupation. Instead, these interior areas witnessed a sudden influx of Guomindang armies, government officials and fugitives from the east. It is no coincidence, then, that only in 1939–40 the Shaanxi government succeeded in its long-standing opium eradication campaign. One should not over-estimate, however, the degree of administrative control over the countryside during the 1940s. For one thing, the census of 1953 showed a population total for Shaanxi province which was almost a quarter more than had been present in the government's records. Fourth, when China reasserted itself under communism and actively developed its border areas, the Wei River valley and Gansu became the major thoroughfare to northwest China, as they had been under the Han and Tang dynasties. A new element was introduced with the industrialization program of interior cities under the First Five-Year Plan, from which Xi'an benefited greatly. Its rapid population growth, which had already begun during the war (1940: 200,000, 1950: 500,000, 1960: 1,000,000) and the vacillating communist policies towards this urban growth provide us with fascinating pictures of the growing pains of a frontier economy. Fifth, since the 1960s Shaanxi province appears to have been little involved in national politics, but it was usually on the receiving end and 'leftist'. Sixth, while the collectivization drive of the late 1950s aimed at laying a uniform pattern of development over rural China, the introduction of modern technology into farming during the 1960s again split rural China. Electricity, irrigation machinery, chemical fertilizer, tractors and macadam roads were allocated by the State to the densely populated river valleys, but not to other areas. In the 1970s the gap was partly closed, yet it became increasingly clear that some

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agricultural areas, with flat terrain, good accessibility and irrigation from surface or underground water resources could be modernized, but that many areas hardly could, or not at all. Within the Wei River valley the economic contrast between irrigated plain and dry upland became very distinct. The dividing lines – often loess cliffs or other visible traits of the landscape as observed from the ground or from a satellite – ran right through county administrative divisions. Seventh, the opening-up of coastal China for foreign investors is still of a limited quantitative significance at this date, but eventually might result in more rapid economic growth and considerable qualitative change in the institutional framework of industrial development in coastal China. Shaanxi province increased its foreign exports to 53 million US$ in 1983, from 12 million US$ in 1978, still only one-tenth of the per capita average in China, and foreign imports were even less than half that amount.[1] It is too early to say whether interior China will fall behind, or be drawn into the coastal sphere. The record shows that Communist China is not apt to maintain separate economic or political systems within its territory – the recent decollectivization drive gave a clear example of this unitary tendency.

In this study, I rarely touch on the issue of central–provincial government relations. There is a total absence of meaningful information about the economic decision-making process between these two levels of government, so the little one can say on this is highly speculative. Moreover, we are not dealing with a province, but with a subprovincial region consisting of three prefectures and one large municipality. From 1949 till 1954, Xi'an did not come under the jurisdiction of the provincial government, but was on a par with Shaanxi province under the Northwest (Military) Administrative Commission. The military dimension of the economy has weakened since World War II; however, a number of defense industries were established in Xi'an in the 1950s and later. One may ask in how far this has been due to Xi'an's strategic inland location, not too close to any possible 'front', or to political leverage or military favouritism, but one should not expect an answer. High-level political discussion in China is secret, and political propaganda such as carried by newspapers is usually very uninformative about regional economic problems. Under Deng, this has started to change.

During the 1930s and 1950s political goals for urban and rural development may have been essentially different. Both the nationalist and the communist governments, once in power, held that only on the

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basis of industrialization and in the urban environment could a modern (socialist) state be built. The urban work force was made subservient to the goal of rapid industrialization, and although social services slowly improved, its wages, living conditions, social life and political freedom were tightly controlled and kept down to a minimum. For the rural areas, with some 85 percent of China's population, nationalist and communist political goals were more limited in one sense but more utopian in another. Modernization through improved agricultural techniques and economic organization, should lead to higher production and to a larger rural surplus, with which to support urban and industrial China. The village population, once put on the right track (for the communists, this was Land Reform and collectivization), should develop by its own force into economically self-sustaining, socially just and equitable and democratic communities. 'Self-reliance' was a broad concept, of which economics was just one dimension. Urban and rural economic policies were so different, because they emanated from different concepts about what urban and rural development should be. Because of these goals, different economic frameworks were set up for the state-owned urban-industrial sector and for the collectively-owned rural-agricultural sector. Rather than striving after economic unity and integration, the communist government created intermediary state organizations, which monopolized or dominated exchanges of products, materials, labour, funds, know-how etc. between the two sectors.

An essential element of collective farming organization in China was the tying-down of the village population to its own soil, with extreme limits on mobility. Because of this, unlike other developing countries, China did not allow for a spontaneous balancing of population and economic resources. There was no movement (also in the sense of 'migration'!) towards more equal opportunities of employment and income. Only the counties near Xi'an and some counties which had to accommodate settlers from the Sanmen reservoir site in 1958–60 took exception to this. The rate of urbanization in most counties hardly rose at all. Between collective villages, only for reasons of marriage were a small percentage of youngsters (usually the brides) allowed to move.

The economic framework sketched out above and its political background apply to China, not just to Guanzhong. Dwight Perkins recently distinguished four central features of China's rural development policies since 1949: the government's capacity to implement village-level programmes on a nationwide basis through bureaucratic

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and Party channels, commitment to giving the rural poor a larger share of benefits, emphasis on heavy industry but with little benefit to the urban elite as far as housing and other urban infrastructure is concerned, and severe limits to migration to urban areas.[2] One might add one or two more, notably state control of trade and of village industry. All these features were common to Guanzhong. This confronts us with the question, how far local variation (not in institutions, but in economic development) could go and what decided it? An answer should be sought in the local geography, the location of the Wei River valley and Xi'an within China, the historical heritage, the degree of central government support (due to political leverage or other reasons), local economic resources, all adding up to a factor endowment mix peculiar to Guanzhong, or to parts of it. Was there much room for a 'provincial' strategy of development based on local advantages and disadvantages?

A number of questions arise when one observes the economy of this area grow and diversify under population pressure and State control. To what extent did the monopolization of trade by the State since the 1950s reduce or even wipe out previous local differences in marketing opportunities? Did the construction of a highway network, which varied considerably in density between counties, bring significant shifts in economic development and income between counties? And what about the railroad? One wonders also about the economic and social effects of the shift from handicraft industry located in the villages to large-scale industry located in Xi'an, Baoji and other cities in the 1950s. The evident economic gains to the urban economy shown by official statistics may well have been offset by concomitant losses to rural or semi-rural private handicraft industries.

Chinese industrial development policies during the 1960s and 1970s have been portrayed as supporting small-scale industry and the development of small urban centres. One might argue that, in spite of obvious economies of scale in many industries, social and political considerations (such as the provision of local employment, the tapping of local financial resources, and the cult of self-reliance) and also prices and transport subsidies strongly influenced locational decisions in favour of smaller urban centres. Some have gone further than that, and concluded that 'whatever political or social benefits may be achieved, where local resources permit, the creation of these rural, small-scale industries is an obviously rational policy in economic terms alone'.[3] Whether this assessment is correct or not, only more detailed

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study of various types of industry, and also of opposite centralizing tendencies within State industrial organizations, will be able to tell. Even at first sight, Xi'an stands out as a growth pole where most of Shaanxi's new industrial expansion (planned by national or provincial authorities) was located. In 1983, Shaanxi's second largest city, Baoji, had only one-fifth of the industrial output of Xi'an. For Guanzhong, cement, agricultural machinery, and at a later stage also chemical fertilizers were produced primarily in one or two large-scale factories. 'Walking on two legs' was an elegant political catchphrase; but how long was the other leg and did it produce a smoothly-running economy?

Because of the lack of regional studies many of the problems posed by economic historians and economists of China cannot yet be answered in a satisfactory manner. Let me mention just a few.

The demographic effect of famines in China, and their contributing factors, have been touched upon in a few studies, notably of the famines in Hebei and Henan in 1743, 1878 and 1922.[4] Yet until now the two most serious famines of this century, the Shaanxi–Gansu famine of 1928–31 and the Great Leap Forward famine of 1960–1 have hardly been studied. In both cases, we see local starvation occurring because of a defective national political and economic framework and confiscatory taxation with little concern for peasant life, certainly matters of national historical significance. For the historian, a basically political explanation (such as warlordism and ruthless taxation)[5] has a certain attraction because it connects famine with other events of the same period. However, Guanzhong had experienced two similar famines in the last decades of Imperial government, under quite different political conditions. Possibly, it is only the introduction of modern government and modern means of transportation which create the conditions for averting recurring starvation in regions periodically afflicted by droughts. As the Great Leap Forward showed us, the machinery of modern government may well work in the other direction, too. Even under a unified communist government with several years of experience in nationwide control of grain-purchase, -distribution and -sales, there was widespread starvation in 1960–1, but as a local phenomenon. Vast differences in available foodgrain per capita appeared between provinces, and within provinces, between counties and even villages. To a large extent, local governments, not local weather conditions, were to blame. Kenneth Walker recently tried to bring together provincial

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data on foodgrain production and consumption and construct a national picture of the 1959 foodgrain shortage and the subsequent famine conditions. However, until now most official data still have been kept secret, and what little has been published is admitted to be inaccurate. At least for Shaanxi province, as indicated by Walker, one of the most severely stricken areas,[6] our tentative conclusions tend in the very opposite direction. In spite of (or maybe because of) the marginality of agriculture in many parts of Shaanxi, from demographic and other evidence Shaanxi seems to have fared remarkably well in 1960–1 (Shangluo Region even became a major exporter of foodgrain). Between 1957 and 1960, the number of pigs increased by a half to 3.5 million, certainly not a sign of a severe foodgrain shortage. Was Shaanxi just lucky with the weather, or is there a political explanation?

The militarization of China in this century has usually been portrayed as having had a negative effect on economic development. It did not stop with Chiang Kai-Shek's establishment of the Nationalist Government in Nanking. 'The trend toward militarization became manifest during 1927–36 as the Guomindang became obsessed with the pursuit of illusive military power, which resulted in ten years of civil wars and the non-implementation of promised revolutionary programs.'[7] Most studies have focused on the Nationalist Government or at least on national goals. For most areas of China an assessment of the local effects of warlord armies and of their negative and positive contributions still has to be made. Destruction of human life and property, requisitioning of labour, crops and animals certainly weakened the national and local economies. For another part, and especially so in Free China during the war against Japan, the military presence served to mobilize and organize local economic resources, to improve transport and communications, to introduce new technology, and to increase demand for food, clothing and many other agricultural and industrial products. Shaanxi province may have had a few significant, uncommon characteristics throughout the period. It was never united under one warlord. All its successive warlords or military commanders came from outside the province (Feng Yuxiang, Zhang Xueliang, Sun Weiru, Mao Zedong, Hu Zongnan), and had little commitment to local affairs but were oriented towards national goals. Partly for that reason, military and civilian government (communist areas excepted) may have been less intertwined than in most of China. The buildup of Guomindang power started

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under peaceful conditions in 1932–6. From 1927 till 1947, there was very little actual fighting in Shaanxi; Feng was defeated elsewhere, and in 1936 the Xi'an incident showed that Zhang's Manchurian army, the Northwest army and the Red Army preferred not to fight each other. Subsequently, the Japanese chose not to invade Shaanxi, although Xi'an was bombed several times. Thus, Guanzhong profited from being a military base without much actual fighting and from its strategic position in a political tug-of-war for more than a decade. Its population increase from immigration is an indicator of this.

The evidence from wartime Guanzhong suggests that industry and agriculture were stimulated by the war effort at first, but suffered in the final years. As the government tried to strengthen its control over agricultural production and commodity trade in 1942, the peasantry's response was a retreat to more autarchy and to black marketing. Whether the burden of war was quite unevenly and unjustly distributed, as Hsi-sheng Ch'i believes,[8] would be difficult to establish with the available data. Grain taxes and grain procurement and conscription may have been more heavy than in occupied China. But is there reason to believe, with Ch'i, that 'poor peasants were deprived of their livelihood, while the rich peasants and landlords not only evaded taxes but often became hoarders of grain and made huge profits'?

Redistribution of land during Land Reform has varied greatly in scope between regions with different tenancy rates. In Guanzhong, only some 10 percent of all farmland was involved. Rural redistribution of wealth (land, houses, animals, stocks) was of social and political significance rather than of direct economic significance. The poorest 30 percent of the rural population received an average of 1 *mou* ($\frac{1}{15}$ ha) per capita. Communist sources, in contrast, stressed the high degree of inequality in Suide and Mizhi counties in north Shaanxi during the 1930s and 1940s, and the economic improvement after redistribution. Possibly famine, the chances of new economic development and the war effort had had a more egalitarian effect on the crop-growing villages in the plains than on the thinly populated, often lawless, mixed pastoral-agricultural mountain areas.

Some authors (myself included) have addressed the question of the level of per capita consumption in rural China. The answer seems to be that in the 1930s, 1950s and 1970s per capita output value and material consumption did not increase much, but that many non-material services of health care, education etc. vastly improved the

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