

# **WEALTH, POWER, AND POVERTY IN THE TRANSITION TO MARKET ECONOMIES: THE PROCESS OF SOCIO-ECONOMIC DIFFERENTIATION IN RURAL CHINA AND NORTHERN VIETNAM**

**Hy Van Luong and Jonathan Unger**

Both Vietnam and China have experienced rural economic reforms that in many respects are parallel; but the socio-economic consequences have been noticeably different. This paper seeks to show how differences between China and Vietnam in the interplay of rural industrialization, governmental policies and community processes have led to greater inter- and intra-community differentiation in China and the faster emergence there of a composite moneyed rural elite of officials and entrepreneurs.

In making such a comparison, a distinction regarding Vietnam needs to be noted between the northern and southern halves of the country.<sup>1</sup> In the south, the process of agricultural collectivization was never completed:<sup>2</sup> by 1985, the

---

<sup>1</sup> For statistical purposes, Vietnam is usually divided into seven socio-economic regions. The north is divided into the Red River delta and “the rest” (the uplands); the centre into the central highlands, the south-central coast, and the northern panhandle (which was a part of North Vietnam until 1976); and the south into the Mekong delta and the south-east (including Ho Chi Minh City). In this paper we are focusing on the northern half that includes the Red River delta, the northern highlands, and the northern panhandle of central Vietnam—the regions that comprised the Democratic Republic of Vietnam, or North Vietnam, from 1954 to 1976.

<sup>2</sup> See Hy Van Luong, “The Marxist State and the Dialogic Re-Structuration of Culture in Rural Vietnam”, in D. Elliott, H. V. Luong, B. Kiernan and T. Mahoney, *Indochina: Social and Cultural Change* (Keck Center for International and Strategic Studies, Monograph No.7) (Claremont: Claremont McKenna College, 1994), pp.90-1; Chu Van Lam et al., *Hop Tac Hoa Nong Nghiep Viet Nam: Lich Su Van De Trien Vong*

percentage of rural households joining agricultural cooperatives, often merely nominal, had reached only 3.7 per cent in the Mekong delta, 15 per cent in the south-east (the provinces around Ho Chi Minh City), and 42 per cent in the central highlands.<sup>3</sup> And even in those southern communities which collectivized, villagers could still retain private ownership of other means of agricultural production, such as water pumps and small tractors, and they provided services on a contract basis to the agricultural cooperatives. In all these respects, the situation differed considerably from the north, and it is not surprising that before Vietnam officially introduced a return to family farming, rural socio-economic differentiation was considerably greater in the south.

And so it remained. By the late 1980s, even in those southern delta communities that had carried out a socialist land reform in the late 1970s as a way-station on the road to collectivization, much of the agricultural land had been returned to the pre-collectivization owners, and many of the farmers who received shares of land after 1975 had in turn been dispossessed.<sup>4</sup> A class of

[Agricultural cooperativization in Vietnam: History, problems, and prospects] (Hanoi: NXB Su that, 1992), pp.47-8; Le Minh Ngoc, “Thu Nhin Lai Qua Trinh Hop Tac Hoa Nong Nghiep o Nam Bo” [A retrospective view on the process of agricultural cooperativization in South Vietnam], in Nguyen Quang Vinh et al. (eds), *Nhung Van De Xa Hoi Hoc o Mien Nam* [Sociological issues in the south] (Hanoi: NXB Khoa Hoc Xa Hoi, 1992), p.31. Also see the preceding paper by Kerkvliet and Selden.

<sup>3</sup> Vietnam General Office of Statistics and Ministry of Agriculture Institute of Planning, *So Lieu Nong Nghiep Viet Nam 35 Nam (1956-1990)* [Agricultural data for 35 years (1956-1990)] (Hanoi: NXB Thong Ke, 1991), p.39. Cf. Ngo Vinh Long, “Reform and Rural Development: Impact on Class, Sectoral, and Regional Inequalities”, in William Turley and Mark Selden (eds), *Reinventing Vietnamese Socialism: Doi Moi in Comparative Perspective* (Boulder: Westview, 1993), p.184.

<sup>4</sup> For the village of Khanh Hau in the Mekong delta, when Hy Van Luong conducted field research there in 1992, the percentage of landless households stood at about 9.8 per cent. This figure was below the 15.8 per cent of landless recorded in Long Hoa hamlet of Thoi

rural landless has re-emerged there, and the main basis for socio-economic differentiation today lies in the initial amount of property owned by each family, in particular the amount and quality of farm acreage.<sup>5</sup> In the central highlands of Vietnam, to the extent that collectivization was carried out after 1975, its effects became increasingly nominal, as numerous households established private plantations to cultivate cash crops for export (most notably coffee).

Only the northern portion of rural Vietnam encounters circumstances fundamentally similar to rural China. Both there and in China, farmers

---

Long village (Hau Giang province), but above the 4.2 per cent rate of landless households in Long Hoa village in the municipality of Can Tho in the same province. See Nguyen Thu Sa, "Suy Nghi Tu Nhung Khao Sat Moi ve Van De Ruong Dat o Dong Bang Song Cuu Long" [Ideas from new studies on the land problem in the Mekong delta], in Nguyen Quang Vinh et al. (eds), *Nhung Van De Xa Hoi Hoc o Mien Nam*, p.45. According to the Vietnamese Ministry of Agriculture and Rural Development, almost 5 per cent of peasant households in the southern third of Vietnam were landless in the mid-1990s. See Gi An, "Khong Co Dat Cam Lua" [No land to grow paddies], *Thoi Bao Kinh Te Viet Nam* [Vietnam economic times], no.79 (332), 1 October 1997, p.14. According to official reports, 30 per cent of those cases involved dispossession in order to return the land to those who owned it prior to collectivization (ibid.). Because the issues of landlessness and land dispossession are of great political sensitivity to policy-makers in Hanoi, those official figures for the southern third of Vietnam might not represent the real magnitude of the problem in the mid-1990s.

<sup>5</sup> A World Bank-sponsored study in 1992-93 has also concluded on the basis of large-scale survey data that "in the south, the poorest households rely more on off-farm income sources, whereas the wealthiest households are mostly concentrated on the farm". World Bank, *Vietnam: Poverty Assessment and Strategy* (Washington, D.C.: World Bank, 1995), p.66. The situation in northern Vietnam, as in China, is the reverse.

experienced several decades of collectivization and, after subsequent de-collectivization, were provided with an essentially equal per capita share of crop-land. In order to focus on the similarities and dissimilarities in the effects of de-collectivization, our comparison will therefore focus on income differentials and class formation in rural China and northern Vietnam.

We will rely partly on our own field research. Our analysis of rural northern Vietnam is based in large part on Hy Van Luong's in-depth anthropological fieldwork from 1987 to 1994 in four villages (two primarily agricultural, one industrialized, and one with a mixed economic base), and our analysis of China largely derives from Jonathan Unger's interviews with Chinese farmers and local officials during a number of research projects between the mid-1970s and 1997.<sup>6</sup> The aggregate socio-economic data that has become available on rural China and Vietnam will be used to complement our fieldwork information.

### Socio-economic Differentiation in the Collective Period

In both China and northern Vietnam under the collectives, income differences within the same village were relatively small. In both countries, farmers accumulated labour points for performing specific tasks assigned to them, and the value of each point increased when the collective unit achieved higher crop yields. Since the labour points accumulated by a person did not significantly differ from those of their workmates of similar age and gender, the main source of differentiation between neighbouring households depended upon the differing numbers of labouring hands in each family and the numbers

---

<sup>6</sup> This research in China included an extended trip to Yunnan Province in 1988, during which interviewing was conducted in 13 poor and middle-income villages. A second research trip in 1991 allowed Unger to conduct interviews in 19 hill-country villages in the three south-eastern provinces of Guangxi, Guizhou and Yunnan. A third trip in late 1993 took Unger into a similar number of villages, both prosperous and poor, on Hainan Island, China's southernmost province. They complement Unger's interviews, in collaboration with Anita Chan, in what has become one of the richest parts of China, Guangdong province. These covered half a dozen villages in the 1970s, two more in the mid-1980s, seven villages in 1989, and an extremely wealthy rural district in the Pearl River delta in 1997.

of its dependents, which altered cyclically as children grew up and the elderly passed away. Income differences between neighbours also resulted from the differing yields from household garden plots (amounting to about 5 per cent of the total cultivated surface in both countries) and the relatively meagre incomes earned by craft specialists and traders in the informal economy. Local cadres gained some slight economic advantages for themselves and, on the other side of the fence, the former rich peasants and landlords and their descendants faced discrimination. However, political power and class background were not as important in rural Vietnam as in China in creating a basis for socio-economic differentiation, due to the wartime conditions in northern Vietnam (the war with the US, the Sino-Vietnamese conflict and the Cambodian war) and the north Vietnamese state's consequent emphasis on domestic political unity during this period.

Although essentially egalitarian standards of living prevailed within each village, the bulk of the villages were quite impoverished in both countries, though even more so in Vietnam than China. At the same time, in Mao's China more than in Vietnam, village life was riven by tensions and repression, with recurrent government-sponsored political campaigns that obliged farmers to single out neighbours for attack.<sup>7</sup> In this respect, Chinese villages were far from being closely-knit "moral communities", and many farmers were glad in the 1980s to be released from the Maoist campaigns and the tight rein of the collectives. In Vietnam, the long period of war from 1960 onwards again had the effect of softening divisions within villages.

The level of income inequality between village neighbours appears to have been roughly equivalent for both countries. If the official statistical data on socio-economic differentiation are reliable, which they may very well not be, towards the end of the collective era the Gini co-efficient [which measures inequality of incomes] for the Vietnamese Red River delta stood at .25, compared to .21 in rural China.<sup>8</sup> Thus, if anything, the income differentials

---

<sup>7</sup> On these frightening campaigns, see Anita Chan, Richard Madsen and Jonathan Unger, *Chen Village Under Mao and Deng* (Berkeley: University of California Press, 1992), Chapters 1-9.

<sup>8</sup> For Vietnam, see Dao The Tuan, "Kinh Te Ho Gia Dinh cua Nong Dan va Su Thay Doi Xa Hoi o Viet Nam" [The peasant household economy and social change in Vietnam], *Xa Hoi Hoc* [Sociology], no.44, 1993, p.16; for China, see Tang Ping, "Wo guo nongcun jumin shouru shuiping ji chayi yanjiu" [Research into the levels and disparities in

may possibly have been somewhat greater within Vietnamese villages. If so, this would reflect, among other factors, the greater importance of the household and informal economy in rural Vietnam, where household incomes were more differentiated than the incomes from the official collective economy. Vietnamese official statistics suggest that the percentage of peasant incomes derived from the household and informal economy increased from 42 per cent in 1959 to 53.6 per cent in the 1966-75 period, and to 60.8 per cent in 1976-80.<sup>9</sup> These percentages in northern Vietnam were considerably higher than the estimated figures of 10-25 per cent for the 1960s and 1970s in rural China.<sup>10</sup>

### The Initial Effects of De-collectivizing Agriculture

During the 1980s, the distribution of farm fields to families on a long-term basis in both Vietnam and China (discussed in the preceding paper by Kerkvliet and Selden) was carried out in a relatively egalitarian fashion. In China, land was of such key importance to the farmers that any favouritism or corruption in the distribution of fields would have discredited the new system of landholding, with bitter recriminations and political repercussions for decades to come. In most villages, land was divided among the households on the basis of an equal share for every member of the production team, children included, and farm tools and draught animals were distributed free of charge among the families. Interviews with farmers from a number of Chinese villages reveal that these land and asset distributions were supervised by county officials, who saw to it that the distribution proceeded with a minimum

---

income among China's village residents], *Jingji yanjiu cankao* [Economic research reference materials], no.158 (14 October 1994), p.27.

<sup>9</sup> Nguyen Sinh Cuc, "Sau 30 Nam Hop Tac Hoa Nong Nghiep: Doi Song Nong Dan va Van De Quan Ly San Xuat Nong Nghiep Hien Nay" [After thirty years of agricultural cooperatization: Peasant life and the problem of agricultural production management at present], in Nguyen Luc (ed.), *Thuc Trang Kinh Te—Xa Hoi Viet Nam Giai Doan 1986-1990* [The reality of Vietnamese economy and society in the 1986-1990 period] (Hanoi: NXB Thong Ke, 1990), p.48. See also Dao The Tuan, "Kinh Te Ho ...", p.10.

<sup>10</sup> William Parish and Martin K. Whyte, *Village and Family in Contemporary China* (Chicago: University of Chicago Press, 1978), p.119.

of corruption.<sup>11</sup> Hillside orchards and fishponds were leased out to private households, and it was here—not in the distribution of farm fields—that village officials sometimes took undue advantage of their position to obtain lucrative leases for themselves or relatives.

In northern Vietnam, an ideology of equality has similarly strongly shaped the distribution of farm fields in most rural communities, although this ideology operates largely within the village and exerts pressure on national policy. Unlike in China, Vietnam's land redistribution guidelines in 1988 initially proposed that in order to increase agricultural efficiency, the better cultivators should be given the opportunity to make bids to contract the more fertile agricultural land with higher production quotas. However, many of the villagers reportedly complained about the auction of village land to the highest bidders and about its supposed effects in enriching those who were better off.<sup>12</sup> In many communities, these complaints hindered the implementation of the 1988 policy. As a result of the national leadership's desire to maintain socio-political stability, by 1994 the majority of the communities in northern

---

<sup>11</sup> Jonathan Unger, "The Decollectivization of the Chinese Countryside: A Survey of Twenty-eight Villages", *Pacific Affairs*, vol.58, no.4 (Winter 1985-86), p.594.

<sup>12</sup> Dang Canh Khanh, "Ve Su Phan Tang Xa Hoi o Nong Thon Hien Nay" [On social stratification in the countryside at present], in Ban Nong Nghiep Trung Nong (ed.), *Kinh Te—Xa Hoi Nong Thon Viet Nam Ngay Nay* [Vietnamese rural economy and society at present], vol.2. (Hanoi: NXB Tu Tuong Van Hoa, 1991), p.348. Ben Kerkvliet (personal communication) has suggested that this bidding system was not necessarily regressive because its proceeds could be used to support collective programs (pre-schools, social welfare). It should be added, however, that in communities where not much land was available for bidding, these programs were still supported, primarily through the imposition of additional "local taxes" on land. While in the former system the funds to support those programs are collected from the supposedly efficient producers who have privileged access to some of the most fertile fields, in the latter system funds are collected from all the producers, who have equal access to these fields. In our opinion, the latter is a more egalitarian system.

Vietnam had switched to a more egalitarian system. They retained few fertile farm fields for annual bidding and had divided most of the fields among the villagers on a strictly egalitarian long-term basis<sup>13</sup> (although the state allowed the subsequent sale of usufruct rights in the name of agricultural efficiency). As in China, in the northern Vietnamese villages where Hy Van Luong has conducted field research there were no informal complaints by villagers about the village leadership's favouritism in land allocation.

In both China and northern Vietnam, in light of the varying quality of village fields, to ensure equity a household usually received its land in 3-12 small pieces in different locations. Each family's share of fields became inheritable, and in that sense today resembles private property. But particularly in China, to ensure continued egalitarian distribution, villages have been prone to redistribute marginal bits of land periodically as families grow or shrink over time. Surveys of Chinese farmers' attitudes in the mid-1990s showed that this system of periodic marginal redistributions of farm land as family sizes change is favoured by most villagers, rather than *de jure* permanent private land-ownership.<sup>14</sup>

There were, however, also a number of strings entirely unwanted by farmers that were attached to the distribution of fields throughout most of the 1980s. In both China and northern Vietnam, households could only retain the surplus above a production quota, usually in grain, that was attached to each piece of land and that had to be sold to the state at a low state-fixed price. The

---

<sup>13</sup> On the basis of provincial guidelines, the village of Trung Trac, Hai Hung province, where Hy Van Luong has made field visits, adopted this policy in 1994. Even in a commercialized village in Ha Bac province that increasingly engaged in retail trade in Hanoi, the percentage of village reserve land had been reduced from 20 per cent in 1990 to 13 per cent in 1994, and the rest was allocated on a long-term and egalitarian basis to all villagers, regardless of age and gender. At this point systematic data is not available on land distribution for all of northern Vietnam, but it appears to have moved in the direction of greater equality since 1988.

<sup>14</sup> James Kai-sing Kung and Shouying Liu, "Farmers' Preferences Regarding Ownership and Land Tenure in Post-Mao China: Unexpected Evidence from Eight Counties", *The China Journal*, no.38 (July 1997), pp.33-63.

state also still monopolized the supply of most inputs into agriculture and maintained a dominant role in the distribution of agricultural and manufactured products. In Vietnam, these restraints gradually eased up and by 1989 had mostly evaporated. China, however, still retained most of these restrictions and, as will be observed, this has affected socio-economic differentiation.

Overall, in both countries the distribution of land among the farming households was equivalent to an egalitarian land reform, leaving in its wake communities of small independent farmers. Given this initial base, even today there exists a lower degree of economic differentiation among households within the same village than is found throughout most of the developing world. Yet it will also be observed that even though this remains true for both countries as of the late 1990s, in China rural socio-economic differentiation has progressed at a much more rapid pace than in Vietnam. One important reason was that rural China stood poised for a boom in the early 1980s, unlike northern Vietnam. But it will also be seen that particularly in China, rural economic development has varied greatly by region, with important effects. The disparities in different regions in the opportunity to generate income will be briefly surveyed first for China and then, in comparison, for Vietnam.

## Regional Differentiation

### *China*

From the start, the great majority of farmers in China benefited noticeably from the return to family farming. A major reason was that in the early 1980s the government also allowed them to diversify their crops rather than just plant grain. At the same time, too, the Chinese government began providing better farm-gate prices for most of the produce, and farmers thereby doubly benefited from their increases in productivity.

Perhaps of greatest importance, though, was that villagers were now allowed to seek ways to earn money beyond their crops. Especially in villages within striking distance of cities, families with know-how and surplus labour began raising large numbers of hogs and poultry, or rented village ponds and raised fish for urban consumption. Other families became heavily involved in cottage industry, even during the growing seasons, or sent a daughter to work in the new factories that were sprouting in the rural market towns that lay within reach of a city. Some men, even from families short of labour, left their village during the agricultural off-season to work at urban construction sites, where wages were relatively good by Chinese standards, leaving the winter

agricultural chores in the hands of wives and children.<sup>15</sup> Through these diverse means, enterprising families greatly expanded their incomes. They have been building larger homes and buying colour TVs, VCRs, washing machines and refrigerators.

For those families in China who remained largely in agriculture, however, the terms of trade for their produce began to turn less favourable after 1984 as government policy changed and the quota price for agricultural goods was pressed downward in real terms. Farmers' living standards began to stagnate and in a great many cases declined. Taking all rural household income into account, real income rose dramatically by some 10 per cent annually in rural China between 1978 and 1984, but during the next four years increased at a slow annual rate of only 2 per cent. It dropped precipitously in 1989 and stagnated in 1990, providing the same real per capita rural income in 1990 (Y338) as in 1984-5 (Y336).<sup>16</sup> Throughout the 1980s, off-farm income in the more commercialized parts of the Chinese countryside had continued to rise, but this had been offset by a marked decline in real *agricultural* income during

---

<sup>15</sup> Extensive fieldwork in a well-off village in Sichuan province by a group of Danish scholars in 1987 has illustrated clearly the importance of such off-the-farm income. See Peter Fenger, Steen Folke, Allan Jorgensen, Peter Milthers and Ole Odgaard, "Occupational Patterns and Income Inequality in a Sichuan Village", *Copenhagen Papers in East and South-east Asian Studies*, no.5, 1990, p.78; for a rural site near Nanjing, see Flemming Christiansen, *The De-rustication of the Chinese Peasant? Peasant Household Reactions to the Rural Reforms in China since 1978*, PhD dissertation (University of Leiden, 1990), p.121; for sites in Henan province, see Zhu Ling, *Rural Reform and Peasant Income in China* (London: Macmillan, 1991), pp.78, 80. Also see Carl Riskin, "Income Distribution and Poverty in Rural China", in Keith Griffin and Zhao Renwei (eds), *The Distribution of Income in China* (New York: St. Martin's Press, 1993); and Azizur Khan et al., "Household Income and Its Distribution in China", *The China Quarterly*, no.132 (December 1992), pp.1029-61.

<sup>16</sup> On these trends see Scott Rozelle, "Stagnation Without Equity: Patterns of Growth and Inequality in China's Rural Economy", *The China Journal*, no.35 (January 1996).

the last half of the decade. Those families who were stuck entirely in farming were very noticeably hurt.

With opportunities outside agriculture varying dramatically across different regions, inter-regional income differentials have widened considerably and the richer parts of China have drawn ever further away from the poorer parts. Rates of poverty remain substantial in China's interior, but are far lower in the coastal provinces, where off-farm opportunities are far greater, especially in rural industry. Whereas industry accounted for only a quarter of the rural Chinese economy in 1983, a decade later it accounted for close to half. And this rapid industrialization was disproportionately located in the booming eastern region of China, where it accounted for more than 60 per cent of the rural economy by 1992, compared to 30 per cent in central China and under 20 per cent in western China's laggard economy.<sup>17</sup> Parallel to this, while the incidence of severe rural poverty had slumped, by World Bank estimates, to under 1 per cent in the south coastal province of Guangdong by 1989, 34 per cent of households in the western province of Gansu remained below that poverty line.<sup>18</sup> More recently, as labour and land costs continue to rise on China's east coast, industry has begun to move inland, perhaps presaging a diminution of the long-term widening of income disparities between the coast and the interior. But the interior starts from a low base, and in absolute terms the gap between the coast and the interior continues to widen.

The overall net effect, as some families increasingly prosper off the farm, and as the coastal regions and the more fertile districts take advantage of the reforms, is that the Gini coefficient of rural income inequality has progressively widened since the reform period commenced in 1979, as can be seen in Table 1.

**Table 1: The Gini Coefficient for Chinese Villagers' Incomes and the Differentiation between the Richest and Poorest 20 per cent of the Rural Population**

Gini Coefficient	Highest : Lowest 20% of Incomes

<sup>17</sup> *ibid.*

<sup>18</sup> World Bank, *China: Strategies of Reducing Poverty in the 1990s* (Washington, D.C.: World Bank, 1992), p.37.

1978	.2124	2.88 fold
1980	.2366	3.16
1985	.2635	3.65
1987	.2916	4.16
1988	.3014	4.68
1990	.3099	4.50
1991	.3072	5.00
1992	.3135	5.06
1993	.3300	5.54

---

*Source:* Tang Ping, “Wo guo nongcun jumin ...”, p.27. A second Chinese source calculates the Gini coefficient as being even wider—standing at .34 in 1988 and reaching .43 by 1994. See *Xinhua wenzhai* [New China digest], no.2, 1996, pp.16-19.

### *Vietnam*

While socio-economic differentiation has increased markedly in rural China, it has not done so in rural north Vietnam. The official statistics show that in the Red River delta it had increased only marginally from .25 in 1978 to .26 in 1993, and in 1993 was even lower in the northern highlands at .245 and the north central panhandle at .25.<sup>19</sup> A main reason, as will be seen, is the comparative dearth of rural industrialization in Vietnam.

---

<sup>19</sup> World Bank, *Vietnam: Poverty Assessment and Strategy*, p.27 (cf. Nguyen van Thieu, “Su Phan Tang Xa Hoi o Nong Thon Viet Nam” [Social differentiation in rural Vietnam], *Nghien Cuu Kinh Te* [Economic studies], no.204 (April 1995), p.25); and Dao The Tuan, “Kinh te ho ...”, p.16. It should be added, however, that the Gini coefficients within various northern communities are considerably lower: they range from .11 to .15 in selected communities with different degrees of market orientation (Dao The Tuan, op. cit., p.13). The Gini coefficients of .24-.26 for northern Vietnam in 1993 were lower than the figures of .29, .37 and .30 for the rural central highlands, the south-east (around Ho Chi Minh city), and the Mekong delta (World Bank, op. cit., p.27). A Vietnamese study provides higher figures of .39, .42 and .43 respectively for these three latter areas. See Nguyen van Thieu, op. cit., p.25).

To the limited extent that differentiation between poor and prosperous households exists today in northern Vietnam it has centred, as in China, on off-farm income. Vietnam's government surveys show that since the onset of economic reforms, households with non-agricultural incomes have fared considerably better than strictly agricultural households. As a World Bank report of 1995 noted, citing 1992-93 data, "In the three regions of the North, the poorest households work only on the farm, while the wealthiest households have mostly off-farm income".<sup>20</sup>

Again similar to China, this can be seen in terms of inter-regional differentiation. Vietnamese surveys in 1989 and 1990 found that despite the relative equality in average land holdings, rural households in the Red River delta enjoyed a higher average income than in the north central panhandle and the northern highlands: principally because the Red River delta has had a more developed handicraft and trading system. For the same reason, the Red River delta had almost the same level of average income as the central coast despite the lower average land holdings (3,231 square metres vs. 5,468 square metres). The availability of off-farm wage employment, according to the 1995 World Bank report,<sup>21</sup> is lowest in the regions with the most widespread poverty, the north central and northern highland regions; and seen from the opposite side of the socio-economic spectrum, the regions now with substantial numbers of prosperous rural households are those with off-farm opportunities.

**Table 2: Main Income Sources and Poverty Rates in Rural Northern Vietnam, 1992-93, by Region**

Income Sources	Northern Highlands	Red River Delta	North Central Panhandle
Agriculture/forestry	63.1%	39.9%	47.0%
Non-farm self-employment	19.8%	36.5%	34.1%
Salaries/wages	11.1%	16.6%	12.2%
Other	6.1%	7.0%	7.7%
Household-reported per capita			

<sup>20</sup> World Bank, *Vietnam: Poverty Assessment and Strategy*, p.66.

<sup>21</sup> *ibid.*, p.67.

income (US\$)	\$73	\$100	\$69
Poverty rate	63%	55%	74% <sup>22</sup>

---

*Sources:* Vietnam State Planning Commission and General Statistical Office, *Khao Sat Muc Song Dan Cu Viet Nam* [Vietnamese survey of living standards, 1992-93] (Hanoi: State Planning Commission, 1994), pp.217, 219; World Bank, *Vietnam: Poverty Assessment and Strategy* (1995), pp.10-11, 65.

In sum, in both China and northern Vietnam, some villages and districts have developed relatively high levels of off-farm income, with commensurate income gains for local residents. Meanwhile, the more remote villages remain largely reliant on subsistence agriculture. In terms of socio-economic differentiation *within* villages, as will be seen, these two types of communities— subsistence-oriented and market-oriented villages—occupy

---

<sup>22</sup> In Vietnam, the World Bank has defined the poverty line in terms of the price of a 2,100 kcal/day food basket, plus the average costs of non-food commodities and services typically consumed by the poor (World Bank, *Vietnam: Poverty Assessment and Strategy*, pp.5-8). The Vietnamese rural poverty line in 1995 was accordingly set at 1,040,000 *dong* per person per year (ibid., p.141). The Vietnamese government calculated a poverty rate of only a bit over 30 per cent of the rural populace because it considered food intake of 1,500 kcal a day sufficient (see the official 30 per cent+ statistic in *Vietnam Investment Review*, 4-10 April 1994). See also Pham Do Nhat Tan, “Ngheo Doi, Nhan Dien, Nguyen Nhan va Giai Phap” [Poverty: Diagnosis, causes and solutions], in Do Nguyen Phuong (ed.), *Ve Su Phan Tang Xa Hoi o Nuoc Ta Trong Giai Doan Hien Nay* [On social differentiation in our country in the present period] (Hanoi: Chuong Trinh Khoa Hoc Cap Nha Nuoc Kx 07, 1994), pp.74-8). Elsewhere in Vietnam the rural poverty rate, using the World Bank’s criteria, was lowest in the south-east (in provinces around Ho Chi Minh City, at 45.2 per cent), and slightly exceeded 50 per cent for the remaining three regions (Mekong delta, central highlands, and south central coast). World Bank, *Vietnam: Poverty Assessment and Strategy*, p.65.

quite different worlds. In light of the major differences in the causes of socio-economic differentiation in the two types of villages, we shall discuss them separately.

### Differentiation Inside Subsistence-oriented Communities

#### *China*

With greater levels of commercialization in Chinese agriculture, a smaller proportion of the farming population than in Vietnam appears still to live in subsistence-oriented communities. These are overwhelmingly located in the Chinese interior, in agriculturally marginal districts where only relatively small surpluses can be wrested from the soil and in areas, too, where transport linkages with urban centres are inadequate.

In such villages, government policies over the past decade and a half have exacerbated rather than reduced socio-economic differentiation. In particular, in three dozen remote subsistence-oriented communities in south-west China where Jonathan Unger conducted household interviews during 1988 and 1991, a sinking under-class of totally immiserated families had emerged that was hurt by the Chinese government program of cheap grain requisitions. At the time of de-collectivization and the division of fields among households, these grain quotas were apportioned among the families along with the fields and became the families' personal responsibility, much like a fixed tax in kind. Households that subsequently became more prosperous were not obliged to provide any more low-priced grain to the state than the most impoverished families of their village.<sup>23</sup> In most villages, if a household could not raise

---

<sup>23</sup> Though the government announced in 1985 that this grain-quota system would be abolished and replaced with a system of contracts between the farmer and state, in most of the villages visited in China the policy change has been in name only. The shift to so-called "contracts" seems to have been aimed at regions where grain production was rising rapidly and where the state wanted to free itself from an obligation to buy more grain than it needed. In the regions which did not see such sharp rises in grain production, the state chose to continue to extract grain from the villages on the same terms as previously.

enough grain to feed itself after its sales of requisitioned grain to the state, the family simply went hungry.<sup>24</sup>

Simultaneously, local taxes in the impoverished regions discriminate against the poorest households. A survey based on 500 rural households, selected randomly from poor regions spread across China, concluded that “the taxes appear to be highly regressive, with households in the lowest quintile paying a higher *absolute* amount than those in the top quintile” of the surveyed households.<sup>25</sup>

The poor farmers’ chances of producing enough grain to feed themselves are damaged by a third government practice—they are denied access to chemical fertilizers. Such fertilizers are particularly needed given the very infertile soils of the inland hill country. Household interviewing by Unger in the impoverished hill country of China’s south-west revealed close to a doubling in grain output by families that could afford sufficient fertilizers, improved seeds and insecticides compared with those who could not afford any. To buy this fertilizer and other inputs, many of the farm families in this region sought short-term credit from the local government credit association at the beginning of the growing season. The credit associations’ personnel, however, came under strong pressure from the state to be business-like in their operations. They therefore normally rejected the poorest households’ requests for loans on the grounds that such households could not guarantee repayment, as they did not possess collateral in the form of draught animals or pigs or other movable assets. These families do not have the wherewithal to raise such animals because, without fertilizers, they cannot grow enough to feed themselves, let alone livestock. Overall, in the three dozen impoverished villages that Unger visited in China’s Yunnan, Guangxi and Guizhou provinces, somewhere between 5 and 15 per cent of the households had fallen into this trap, unable to afford any chemical fertilizers whatsoever. Harnessed

---

<sup>24</sup> Some villages that are desperately poor are excused from their grain sales to the state, but this relief usually applies only to whole villages, not to individual families. Thus, a family that is financially at its wits’ end in a village that does not qualify for this concessionary arrangement still has to hand over its grain levy *in toto* to the state.

<sup>25</sup> Wu Guobao, Sue Richardson and Peter Travers, “Rural Poverty and its Causes in China”, *Working Papers of the Chinese Economy Research Unit*, no.96/2 (University of Adelaide, 1996), p.12. Word italicized in the original.

to requisitioned grain “contracts” that they had difficulty fulfilling, a few of the families visited could not even afford to buy matches or salt.

But these families occupy only a comparatively small marginalized minority, out of sight in China’s more remote districts, and comprising a relatively small minority even there. They are all but ignored by a government whose sights are set on the nation’s richer districts and on the rapid development occurring there.

### *Vietnam*

In contrast to China, the majority of northern Vietnamese villages have not been able to expand economically beyond their agricultural bases. One Vietnamese researcher estimates that in these communities, the percentage of strictly agricultural households varies between 75 per cent and 95 per cent; and the proportion of non-agricultural households is negligible. Most of the farming households produce crops not for the market but for their own consumption. Ninety per cent of the respondents in one village replied that they would store any surplus grain for future use instead of selling it. Even in a village close to a prosperous district market, only 7.5 per cent of the respondents sold their surpluses, and almost three-quarters of this small minority did so in the village market.<sup>26</sup> Similarly, in a 1992 study the majority of the households in 13 out of 16 northern and central Vietnamese communities still produced for their own use, and even in the remaining three more-commercialized villages, households produced more for their own consumption than for the market.<sup>27</sup>

Not only does a higher percentage of the rural population remain subsistence-oriented in Vietnam than in China, but a higher percentage of the population is also trapped in dire poverty. According to one estimate, 5-10 per cent of the total rural population in Vietnam remains desperately poor,<sup>28</sup> whereas we have noted that the truly desperately poor in China are confined largely to the most agriculturally marginal inland regions. Far larger numbers in both countries fall below the poverty line. If we use the common standards

---

<sup>26</sup> Dang Canh Khanh, “Ve Su Phan Tang ...”, pp.345, 350, 355.

<sup>27</sup> Dao The Tuan, “Kinh Te Ho ...”, pp.9, 14.

<sup>28</sup> Hoang Viet, “Orientation and Major Solutions for Developing the Household Economy in the Vietnam Countryside”, paper presented at the conference on “Rural Development: An Exchange of Chinese and Vietnamese Experiences”, held in Hanoi, February-March 1995.

of poverty for both China and Vietnam adopted by the World Bank in 1992, 11.5 per cent of the Chinese rural population (98 million people) lived in poverty in 1990, down from 33 per cent in 1978,<sup>29</sup> while 57 per cent of rural Vietnamese remained below the poverty line in 1992-93.<sup>30</sup>

---

<sup>29</sup> The World Bank study in China defined the poverty line on the basis of the cost of a 2,160 kcal/day food basket, plus the costs of a modest level of non-food goods and services. World Bank, *China: Strategies for Reducing Poverty*, p.21. The Chinese rural poverty line was set at Y275 per year, and the rural poverty rate was judged to be 11.5 per cent in 1990 (*ibid.*, p.23). In a personal communication to us, Carl Riskin, who has conducted detailed analyses of rural Chinese poverty rates, estimates that the figures should be higher, at 120 million people, which by our estimates would amount to close to a 14 per cent rate of poverty. Given the stagnation in agricultural income in more recent years, we can estimate that an equivalent percentage of the rural Chinese populace remains below the poverty line today. A Chinese study separately shows the poverty-stricken populace to have comprised 9.7 per cent of the population in 1990, but observes that some of the provincial figures on which its tables are based relate only to extreme poverty. See Liu Nanchang, "Wo guo nongcun pinkun wenti yanjiu he fazhan qushi yuce" [Research into the issue of China's rural poverty and prediction of development trends], *Jingji gongzuozhe xuexi ziliao* [Study materials for economic workers], no.35 (1994), esp. pp.35-7.

<sup>30</sup> In Vietnam, the rural poverty rate of 57 per cent for the entire country was considerably higher than the urban one of 26 per cent. (See footnote 22 above for World Bank criteria of poverty for Vietnam.) There are no reliable data in Vietnam on whether the percentage of the rural population living below the World-Bank-defined poverty line has declined in the past decade and a half in northern Vietnam. In 95 per cent of the 120

More recently, in 1996, the World Bank recalculated its estimates for China based on “the international standard of poverty [which] is substantially above [China’s] norms of minimum welfare”, and on this basis the World Bank now defines the poverty threshold in China as equivalent to US\$1 per person per day, not its previous standard of roughly 60c per day. By this new calculation, some 350 million Chinese lived below the poverty line as of 1993. The vast majority of these were rural, and by our own rough calculation they comprised close to 40 per cent of China’s rural population.<sup>31</sup> But if the incidence of rural poverty in Vietnam is to be recalculated upward using the same criterion, the percentage in Vietnam who fall below the poverty line is, by this international standard, exceptionally high, encompassing the overwhelming majority of the rural population.

Nevertheless, even in some of the subsistence-oriented villages, a small number of Vietnamese villagers are in a position to bid for additional village fields when these are made available and to acquire such household commodities as electronic equipment and motorcycles. Dang Canh Khanh reports that in the largely subsistence-oriented village of Dong Duong, more than 20 per cent of the households had hired labour for ploughing, insecticide spraying and harvesting. At the other end of the spectrum, in this village some

---

surveyed communities, respondents indicated that the quality of life had improved in the last five years (World Bank, *Vietnam: Poverty Assessment and Strategy*, p.9). Vietnamese sources have reported that for the country as a whole, the percentage of the rural population with a monthly per capita income of less than 20 kilograms of rice declined from 32.9 per cent in 1976-80 to 9.4 per cent in 1989. In the same period, the percentage of rich households, earning more than 60 kilograms of rice per person a month, increased from 12.5 per cent to 18.4 per cent. See Vietnam, Communist Party [Agriculture Commission], “Danh Gia Thuc Trang Kinh Te Xa Hoi Nong Thon” [An evaluation of rural socio-economic realities], in *Kinh Te Xa Hoi Nong Thon Viet Nam Ngay Nay*, vol.1, pp.45-56).

<sup>31</sup> World Bank, “Poverty in China: What do the Numbers Say?”, *Background Note: The World Bank* (1996), 6 pp.

10-20 per cent of the strictly agricultural households cannot even pay off their taxes to village governments.<sup>32</sup>

Even though socio-economic differentiation in these villages has been growing, the elimination of the Vietnamese state's mandatory grain procurements and of a two-tiered grain price system have helped to raise the standard of living in subsistence-oriented and market-oriented communities alike. Moreover, these twin reforms appear also to have slowed the widening of the gap between rich and poor within each village. Prices in rural Vietnam are now mostly in accord with market principles; and importantly, the state's procurement price for rice rose from 12 per cent of the market price in 1978 to 100 per cent in 1988<sup>33</sup> when agricultural land was divided on a long-term basis to households. In fact, in the northern villages that Hy Van Luong has visited, by 1990 local Vietnamese authorities preferred not to collect agricultural taxes in kind in order to avoid the delivery of poor quality grain. Instead, they used the local market prices to convert grain taxes into a cash amount to be collected from households.<sup>34</sup> The prices of agricultural inputs, including

---

<sup>32</sup> Dang Canh Khanh, "Ve Su Phan Tang ...", pp.351-2.

<sup>33</sup> Ngo Vinh Long, "Some Aspects of Cooperativization in the Mekong Delta", in David Marr and Christine White (eds), *Postwar Vietnam: Dilemmas in Socialist Development* (Ithaca: Cornell University South-east Asia Program, 1988), p.170.

<sup>34</sup> In 1989, the Vietnamese government divided agricultural land into 7 categories on the basis of yield. Agricultural taxes depended on field classification and region. Land yielding more than 5 tons of paddy a year was classified into category 1. Annual taxes for this category amounted to 700 kilograms in the lowlands, 650 kilograms in the midlands and 580 in the highlands. In the bottom category was land yielding less than 1.5 tons of paddy a year. Annual taxes for this category were set at 100 kilograms in the lowlands, 80 kilograms in the midlands and 60 kilograms in the highlands. See Vietnam, *Cac Van Ban Phap Luat ve Thue Nong Nghiep* [Legal documents on agricultural taxes], (Hanoi: NXB Phap Ly, 1992), p.6. In 1993, there remained only 6 categories of land, and land taxes no longer varied with region. Taxes were reduced to 550 kilograms for

chemical fertilizers, have also been set by market supply and demand since then. In all these respects, China's reforms lagged behind. (In one and only one regard, this has been beneficial to China's peasantry: a portion of the fertilizer sales continued to be subsidized.)

Rural credit in Vietnam is now also largely determined by market forces. In 1992, when the annual inflation rate stood at 17.5 per cent, the monthly interest rates on agricultural credit from formal institutions averaged 3.5 per cent, amounting to a very high annual rate of 42 per cent.<sup>35</sup> Notwithstanding this, a large number of farmers took out small loans. The 1992-93 World Bank study of 120 rural Vietnamese communities reports that among the poorest 13 per cent of the rural population, formal credit from the cooperatives and from banks (carrying lower interest rates) amounted to 17.5 per cent of their total credit. This compared to an average of 26 per cent among the rest of the farming population, with no significant variations among this less impoverished 87 per cent of the rural populace.<sup>36</sup> In China, by comparison, the poorer sectors of the community do not normally have any access to such loans. Yet this distinction is not necessarily to the advantage of Vietnam's poor. The loan requirements in Vietnamese villages stipulate land as collateral and an absence of overdue taxes.<sup>37</sup> This has presented a problem for the

---

category-1 land, and to 50 kilograms for category-6 land. See "Luat Thue Su Dung Dat Nong Nghiep (10-7-1993)" [Tax law on the use of agricultural land (10 July 1993)], in *Cac Van Ban Phap Luat Ve Dat Dai, Nha O, va Thue Nha Dat* [Legal documents on land, houses, and land and housing taxes] (Hanoi, NXB Chinh Tri Quoc Gia, 1993), p.318.

<sup>35</sup> World Bank, *Vietnam: Poverty Assessment and Strategy*, p.73. In the summer of 1992, in the village of Khanh Hau in Long An province (Mekong delta in south Vietnam) where Hy Van Luong did field research, the actual monthly rate on short-term agricultural credit amounted to 5 per cent. This rate included administrative fees on the loans.

<sup>36</sup> World Bank, *Vietnam: Poverty Assessment and Strategy*, p.74.

<sup>37</sup> Banks can seize collateral (usufruct rights on agricultural fields) in the case of a loan default. However, this does not seem to occur frequently because agricultural credit is

poorest villagers who have not been able to pay their taxes. Even more important, because the state has allowed the transfer of usufruct rights since 1993, the poorest households now risk losing their land, either by defaulting on loans or by voluntarily selling their right to land in order to meet the expenses of life crises. While a landless peasantry has not yet clearly emerged in northern Vietnam, due to the short period of time since the authorization of usufruct land sales, and the extensive network of reciprocal assistance in the village, the emergence of a landless class is probably only a matter of time.

In sharp contrast, in China the poor cannot legally be alienated from their rights to village land. But, as earlier observed, this advantage comes at a price. Unable to use their rights to land as collateral, China's rural poor in the subsistence-oriented villages in China's interior do not possess sufficient property to secure loans to buy the fertilizer and other inputs that they so desperately need.

#### Differentiation Inside Market-oriented Communities

Our research suggests that in both Vietnam and China, three factors underlie the degree of a village's market orientation. These are: i) proximity to markets; ii) traditions of craft and trade specialization; and iii) access to non-agricultural wage employment. This can be observed most readily through examples drawn from our field research.

##### (i) *Proximity to Markets*

The impact of proximity to urban centres or regional marketing nodes is exemplified in Vietnam by the village of Hoai Thi, where Hy Van Luong has conducted fieldwork. Numerous villagers there have been employed since 1987 in Hanoi's construction industry and have also taken to peddling goods in the city, in particular hogs, tea and a famous rice alcohol from a nearby village. In 1990, the average income from retailing and construction work among the 24 households in the Hoai Thi sample was more than twice what they gained from agriculture,<sup>38</sup> and the average real per capita income in the

---

usually small and short-term (no more than six months). Peasants rarely have trouble repaying the loans at the time of harvest.

<sup>38</sup> For this sample, off-farm earnings were equivalent to 620 kilograms of paddy per household member, in comparison to their average net income of 275 kilograms from agriculture. See Hy Van Luong, "Economic Reform and the Intensification of Rituals in Two North Vietnamese Villages, 1980-1990", in Borje Ljunggren (ed.), *The Challenge*

village in 1989 had more than tripled since 1980.<sup>39</sup> The degree of socio-economic differentiation in communities such as Hoai Thi, however, remained limited because in both the construction industry and retail trade, capital investments were considerably less important than a trader's physical strength; after all, the only equipment required for transporting goods to nearby Hanoi was a bicycle. In general, households with young members in their twenties and thirties and older members available to take care of young children earned more from retail trade and the construction boom than others. One important basis for socio-economic differentiation in Hoai Thi was therefore the demography of household memberships. Households were more differentiated than in subsistence-oriented communities, but the degree of differentiation was probably less than in other villages with a longer tradition of market orientation.

Parallel to Hoai Thi village, in China the community of Chen Village, within range of both the Hong Kong and Canton markets, was able to take advantage of its location during the first half of the 1980s, before the district became inundated with foreign-owned factories. Immediately after de-collectivization, the Chen farmers switched to producing vegetables for the nearby urban markets, and some households, even more profitably, converted low-lying rice paddies into commercial fish ponds to provide fresh carp for Hong Kong's tables. A number of other villagers stopped working in the fields altogether, and brought in field labour from poor inland counties to work their land as share-croppers. Some of them, particularly women, went to work instead in factories in the rapidly industrializing county capital, which had begun recruiting workers from within the county at urban wage scales. Through a combination of specialized market-oriented agriculture and urban work, by 1983-84 the average villager was earning many times more than had been possible in 1980.

---

*of Reform in Indochina* (Cambridge, Mass.: Harvard Institute for International Development/Harvard University Press, 1993), pp.265-8. A village leader estimated in 1991 that of the 162 village households, some 30 were engaged in the hog trade, 50 in alcohol delivery, 20 in retailing other items, and 60 in the construction industry.

<sup>39</sup> Hy Van Luong, "Local Community and Economic Reform: A Microscopic Perspective from Two Northern Villages", in T. Rambo, N. M. Hung and N. Jamieson (eds), *The Reconstruction of Vietnam: Challenges and Issues* (Fairfax and Honolulu: George Mason University Indochina Institute and East-West Center, 1992), pp.26-39.

Within a few more years, socio-economic differentiation was widening very noticeably in Chen Village as a small minority of the households, having accumulated capital through their endeavours or from relatives in Hong Kong, began carving out increasingly capital-intensive ventures. One household first rented a fish pond, then parlayed the proceeds into leases on groves of lychees, which it exported to Hong Kong, then hired labour to plant a 20-acre hillside orange orchard, and finally pioneered a large commercial chicken operation, with an annual output of some 40,000 chickens. Another villager made money through trade, used it to establish a sizeable modern hog-raising operation, sold it for a good profit, and invested the proceeds in a large new brickworks to supply the nearby urban markets. Such households were soon many times richer than their neighbours.<sup>40</sup>

(ii) *Traditions of Craft and Trade Specialization*

This is the second major factor underlying market orientation and socio-economic differentiation in many Chinese and Vietnamese villages. Hy Van Luong's fieldwork has revealed that with the reduction in the Vietnamese government's role in the trading system and with the re-emergence of private firms, a number of traditional handicraft villages (such as the conical hat centre in the village of Chuong in Thanh Oai district, the silk manufacturing centre of Van Phuc in Ha Dong, and the ceramics centre of Bat Trang) were quickly able to take advantage of market opportunities. So has Ninh Hiep village in Ha Bac province, which has a strong tradition of long-distance trade that has seen its residents actively engaged over the past few years in buying and transporting goods from the Sino-Vietnamese border to the rest of northern Vietnam.

In China, similarly, local craft and trade specializations were rapidly revived after the rural reforms were introduced. Memories of such skills had survived the quarter-century collectivist period during which government policy all but decimated these local specializations. Villages near Beijing which before the revolution had produced special foods such as noodles for urban sale or had been known for quilts or tin-smithing quickly went back to those trades.<sup>41</sup> One example suffices to show how successfully some of these Chinese rural districts and villages could rejuvenate money-making skills that had not been practised for many decades. Unger spent two weeks in 1997 in Xiqiao, a rural township in Guangdong province, which until the 1930s

---

<sup>40</sup> On this, see Chan, Madsen and Unger, *Chen Village Under Mao and Deng*, esp. Chapters 8 and 10.

<sup>41</sup> This information was gathered by Jonathan Unger in Beijing in 1993.

economic depression had been a major rural centre of silk-textile production. Starting in the mid-1980s peasant entrepreneurs revived the local textile industry from scratch. This former commune now contains 1,600 textile factories, all of them privately owned by local residents. In the space of little more than a decade this small rural district has emerged as one of the major profitable textile-manufacturing areas in China.

(iii) *Access to Non-agricultural Wage Employment*

Access to off-farm wage employment is, as earlier noted, very unequally distributed across regions and, within each locality, unequally distributed among households. This has been true for both China and northern Vietnam. But in light of the far greater commercialization and industrialization of the Chinese countryside, the impact of wage employment has been felt there far more than in northern Vietnam.

In northern Vietnam, a full macroscopic view of rural industrialization is yet to emerge because Vietnamese industrial data are broken down primarily by forms of ownership (state, cooperative, private, household), and only to some extent by any rural/urban distinction. According to the 1989 population census, 1.6 million workers (6.7 per cent of the active rural workforce of 23.8 million) worked in rural industries (including the construction field).<sup>42</sup> In the years since, rural industrial employment has not increased significantly, if at all, because the majority of the handicraft cooperatives that once dotted the rural landscape have collapsed. Many of the provincially-owned and district-owned state enterprises have also been dissolved. The available data for northern Vietnam (both urban and rural) reflect this collapse. It seems to have affected more severely the rural sector with its smaller and less competitive enterprises: the number of state enterprises, which are mostly urban, declined only slightly from 1,469 in 1989 to 1,225 in 1992; whereas the number of industrial and handicraft cooperatives plummeted from 13,261 to 3,761 in the same period. The output of the state industrial sector stagnated at 3,114 billion *dong* in 1989 and 3,133 billion *dong* in 1992, while that of cooperatives dropped by more than half in the same period, from 642 billion *dong* to 246 billion *dong*.<sup>43</sup> The reasons include a drastic reduction in state

---

<sup>42</sup> Vietnam, Central Census Steering Committee, *Ket Qua Dieu Tra Toan Dien* [Complete census results], vol.4 (Hanoi: Central Census Steering Committee, 1994), p.458.

<sup>43</sup> The state industrial workforce declined from 511,000 employees in 1989 to 373,977 in 1992, while the cooperative industrial workforce plummeted from 560,000 in 1989 to only 144,000 employees in 1992. Vietnam, General Statistical Office, *So Lieu Cong*

subsidies, the collapse of the export markets for low-quality handicraft products in the former Soviet Union and Eastern Europe, and competition from smuggled goods from China and Thailand in certain categories (textiles and ceramics).

Small private rural enterprises have emerged from the ashes of this structural transformation.<sup>44</sup> Normally employing fewer than 50 workers, they fill small niches in the domestic market. The emergence of these private firms was facilitated by the state's relinquishment of its virtual trading monopolies in industrial raw materials as well as its dominant role in the distribution of agricultural and manufacturing products. A survey of 505 small and medium-size firms in 1991 in three northern and three southern provinces revealed that approximately two-thirds of the firms in the northern sample and half of those in the southern sample had been established since 1988.<sup>45</sup> Most provided

---

*Nghiep Viet Nam, 1989-1993* [Industrial data on Vietnam, 1989-93] (Hanoi: NXB Thống Ke, 1994), pp.79-80, 92-3, 118-19.

<sup>44</sup> The Vietnamese government distinguishes household enterprises from private ones. The former use primarily family labour, while the latter hire mostly labour from outside the family. In reality, the line between these two types of enterprises is not clear-cut, and we refer to the enterprises in both categories as private firms.

<sup>45</sup> Vietnam, Ministry of Labour, Institute of Labour and Social Affairs, *Doanh Nghiep Nho o Viet Nam* [Small enterprises in Vietnam], (Hanoi: NXB Khoa Hoc va Ky Thuat, 1993), p.113. According to a 1992 survey of 60,019 rural industrial enterprises, private and household firms comprised 98.95 per cent of all rural industrial units, while cooperative and state firms made up respectively only .88 per cent and .17 per cent. See Chu Huu Quy (ed.), *Phat Trien Toan Dien Kinh Te Xa Hoi Nong Thon Viet Nam* [Towards the holistic socio-economic development of rural Vietnam], (Hanoi: Ministry of Science, Technology and Environment, 1993), p.13. The private firms employed 21 workers on average, including 6 family members, 8 regular non-family employees and 7 seasonal ones. Fifty two per cent of rural firms were in the food-processing industry, 18 per cent

goods and services to local communities, and employed workers from within the same village. The only exceptions were private firms in a number of traditional handicraft villages that had quickly taken advantage of market opportunities and employed many people from outside the community.

In Bat Trang, a village with over 4,000 people that has successfully found a market in Asia and Europe for its traditional ceramics, a small household kiln costs US\$200-500 to construct, while the larger ones cost approximately US\$3,000 each. With over 1,000 household firms, the village regularly hires 1,500-2,000 workers from other communities in order to supplement its workforce. Because they are employed primarily in non-skilled positions during the agricultural slack seasons, these workers tend to receive considerably lower pay than the skilled workers from within the handicraft village. Thus the major differentiation in wealth emerges between the more successful entrepreneurs in specialized villages such as Bat Trang and the hired labourers who come primarily from surrounding communities, be it to work on the remaining agricultural fields, in trade, or in handicraft production. A Vietnamese researcher has estimated that the incomes of successful

---

in construction materials, 12 per cent repaired and manufactured simple machines, and 10 per cent were in traditional crafts (ibid.). In a survey of rural industrial enterprises in Ha Bac province, a major northern centre of handicrafts and industry, the four main sectors were traditional crafts and arts (29 per cent), machine repairs and manufacturing (24 per cent), wood and paper processing (18 per cent), and construction materials (12 per cent). See Luu Bich Ho and Khuat Quang Huy, "Main Issues, Trends, and Problems in Rural Development and in the Diversification of the Rural Economic Base in Vietnam", paper presented at a conference on *Rural Development: An Exchange of Chinese and Vietnamese Experiences*, held in Hanoi, February-March 1995, p.17. According to the 1989 population census, the rural industries with the largest numbers of workers were textiles, food processing, machinery, garments, and construction materials. See Vietnam Central Census Steering Committee, *Kat Quo Dieu Tua Toan Dien* [Complete census results], vol.5 (Hanoi, 1995), pp.23-4.

entrepreneurs exceeded those of such labourers by 200 times in Ninh Hiep and 30-100 times in other handicraft or trading villages.<sup>46</sup>

But villages like Bat Trang and Ninh Hiep are exceptions rather than the rule. Only 6.7 per cent of the Vietnamese rural labour force in 1989 gained a livelihood primarily from industrial employment. Processing industries accounted for only 7.2 per cent of rural GDP in 1990 and 7.5 per cent in 1995.<sup>47</sup> The weakness of rural industry in Vietnam in comparison to China means that it provides employment for a considerably smaller proportion of the rural populace and employs far fewer workers from outside local communities. Consequently, too, rural accumulation of wealth and economic differentiation among households are far more limited in Vietnam than China.

We noted earlier that the greatest single factor accounting for increases in Chinese rural incomes since 1985 has been the surge of rural industrialization, far more than any other type of off-farm employment, and that this

<sup>46</sup> Danh Canh Khanh, "Ve Su Phan Tang ...", p.341. Labourers' wages tend to be extremely low. As the 1995 World Bank report notes, "While there are greater opportunities for non-agricultural wage earning in the densely populated Red River Delta due to its proximity to urban areas, wage incomes are low, particularly for the poor. The low earnings probably result from an over-supply of unskilled labour relative to the employment opportunities". World Bank, *Vietnam: Poverty Assessment and Strategy*, p.67.

<sup>47</sup> Dang Tho Xuong et al., *Nong Nghiep Nong Thon Trong Giai Doan Cong Nghiep Hoa Hien Dai Hoa* [Agriculture and the countryside in the period of industrialization and modernization] (Hanoi: NXB Chinh Tri Quoc Gia, 1997), p.53. According to the same source, in the 1990-94 period, rural industries grew at an annual average rate of 3.7 per cent in the north and 10.1 per cent in the south (p.52). For comparison, construction accounted for 2.6 per cent of rural GDP in the entire country in 1990 and 6.7 per cent in 1995 (ibid.). See also Nguyen Sinh Cuc, *Thuc Trang Nong Nghiep, Nong Thon, va Nong Dan Viet Nam* [The reality of agriculture, the countryside, and the peasantry in Vietnam] (Hanoi: NXB Thong Ke, 1991), p.63.

industrialization has been concentrated in the richer districts within reach of convenient transport routes and urban areas. By 1993, about 28 per cent of the rural workforce (120 million people) worked full-time or part-time in such rural enterprises.<sup>48</sup>

China's rural factory workers derive from two distinctly different types of backgrounds. Those who are locally recruited generally earn incomes higher than is available locally from farming. There is therefore competition to obtain such jobs, and those recruited tend to come from the better-connected families in the district. Often, their numbers include relatives of village officials and of the factory's own managers. In many rural districts, some of the other workers have bought their way in: their families can only secure a factory job for them by purchasing a fixed number of shares in a company. In short, precisely the families who are already well-connected and/or already more successful in agriculture tend to gain access to the higher earnings in local industry. The disparities in income between families thus further widen.<sup>49</sup>

Increasingly, though, in order to secure cheaper labour, rural factory workers are being pulled in from afar from China's poorer districts. The status and circumstances of this second type, workers who now number in the millions, are altogether unlike those enjoyed by rural workers of local origin. For instance, in the rural districts of Guangdong province near Shenzhen, where Unger has conducted fieldwork, in each of the local factories two discrete labour markets have been created so as to ensure relatively high pay in a fixed number of factory positions for employees from the nearby villages. For performing similar jobs in these same factories, immigrant workers from elsewhere in China earn far less.<sup>50</sup>

These in-migrants greatly outnumber local recruits in the most heavily industrialized parts of rural China such as this Guangdong district. They sometimes work under genuinely awful conditions. But the current situation nonetheless may be preferable to what prevailed during the collective era when, starting with the mid-1950s, labour mobility and such wage labour were all but banned and the peasants from the poorest districts were forced to stay at home and to rely entirely upon the resources of their own villages. This

---

<sup>48</sup> See *Renmin ribao* [People's daily], 11 May 1995.

<sup>49</sup> For an excellent case study of this, see Minchuan Yang, "Reshaping Peasant Culture and Community: Rural Industrialization in a Chinese Village", *Modern China*, vol.20, no.2 (April 1994), p.159.

<sup>50</sup> On this see Chan, Madsen and Unger, *Chen Village Under Mao and Deng*, pp.304-7.

went against their interests, since their villages generally did not possess an adequate climate or soils to develop ample food production. Over the two decades between the mid-1950s and the mid-1970s, therefore, the gap in living standards substantially widened between the better-off and poorer rural districts.<sup>51</sup> Today, the money remitted by the new emigrant workforce to their families at home helps to reduce the plight of those remaining in the poorer districts.

In previous decades, however, with the best-off and worst-off communities isolated from each other, the chasm in incomes between them had few political and social consequences. By the 1990s, in contrast, within the richest communities across China sizeable groups of poor immigrant labourers, hired both in industry and agriculture, were living literally next door to the most fortunate of the rural populace,<sup>52</sup> and this has given rise to growing tensions between the two groups.

At the same time, the rapid development of industry in such districts has sometimes enriched only a minority of the *local* population, a fact that overall statistics usually conceal. The Chinese Ministry of Agriculture investigated four rural towns in Jiangsu province that boasted average local incomes of more than Y2,000 per capita. It was discovered that 32 per cent of the 2,260 local households were engaged in private industry or construction, and these households averaged Y14,000 per capita. But among the remaining local households, which presumably were still largely farming, incomes averaged

---

<sup>51</sup> Nicholas Lardy, *Agriculture in China's Economic Development* (Cambridge: Cambridge University Press, 1984), ch. 4; and Peter Nolan and Gordon White, "The Distributive Implications of China's New Agricultural Policies", in Jack Gray and Gordon White (eds), *China's New Development Strategy* (London and New York: Academic Press, 1982).

<sup>52</sup> One example is a rural township of non-Chinese hill peoples in Yunnan province that has become wealthy on the proceeds of village- and township-owned mines. There—and in Chen Village, too—most of the farming and almost all of the heavy labour is done by impoverished immigrants. This wealthy township is discussed in Jonathan Unger and Jean Xiong, "Life in the Chinese Hinterlands under the Rural Economic Reforms", *Bulletin of Concerned Asian Scholars*, vol.22, no.2 (April 1990), esp. pp.11-12.

only Y720 per capita, and 26 per cent of the village's households lay below Y400 per capita, the government's poverty line.<sup>53</sup> A flourishing private industry had generated a widening gulf in local living standards.

### The Personal Origins of Entrepreneurship

In both China and northern Vietnam since the return to family farming, the success of some households as opposed to their local neighbours appears to be due to a combination of individual drive, skills and favourable connections with the authorities. An education also seems to prove helpful, as does prior experience as, say, a tractor driver or mechanic under the collectives. But two categories of rural people appear to have had the greatest success since de-collectivization—those with experience as cadres and those with family traditions of money-making skills prior to the revolution.

It is not just 'connections' and corrupt practices that have given the former local cadres a head-start over their neighbours. The socialist era provided them, unlike the ordinary farmers, with a good training in business: in handling sizeable sums of money, managing groups of workers, dealing with the officialdom, and taking charge of managerial decisions in a complex agricultural regime. In short, many of the people favoured with leadership positions during the collective era have, for that very reason, benefited subsequently from the demise of agrarian socialism.

The other salient factor—family history—comes through clearly in a survey showing which families in a middle-income north China village have become well-off and which have not. Forty-one per cent of the families of pre-Liberation middle-peasant stock in this village had become prosperous since de-collectivization, compared to less than 10 per cent of the families from pre-Liberation poor peasant origin.<sup>54</sup> One apparent reason for this marked difference in outcomes is that the pre-Liberation middle peasants and their children, unlike the former poor peasants, had had to learn to be particularly conscientious in their work habits under the collectives, lest they be criticized as politically retrograde. But a second and probably more important factor in the success of these middle-peasant families lies in the traditional knowledge

---

<sup>53</sup> *China Focus*, vol.3, no.2 (1 February 1995), p.4.

<sup>54</sup> Yan Yunxiang, "The Impact of Rural Reform on Economic and Social Stratification in a Chinese Village", *The Australian Journal of Chinese Affairs*, no.27 (January 1992), pp.9-10.

of economically useful techniques and the cultural skills that have been passed down within these families.<sup>55</sup>

Similarly, in the northern Vietnamese village of Hoai Thi where Hy Van Luong conducted field research, 46 per cent of the sampled households with at least middle-peasant backgrounds produce an agricultural surplus, while only 14 per cent of those with poor-peasant and landless backgrounds fall into this category. Meanwhile, 36 per cent of the households with poor-peasant and landless backgrounds have trouble making ends meet, while none of those with at least middle-peasant backgrounds fall into this category.

However, the skills and the drive to succeed that are passed down within families may not be altogether sufficient in China and northern Vietnam to achieve success outside of agriculture. Any such endeavours will require the acquiescence and cooperation of local authorities; this is usually a *sine qua non*.

In China, this favouritism is officially encouraged by a “wager on the strong” bias in programs. The government provides special financial backing to so-called “specialized households” (*zhuan ye hu*)—prosperous peasant families who are chosen to receive favoured access to subsidized inputs *because* they are already generating a higher income than their neighbours.<sup>56</sup> A pertinent example is a hill village that was visited in Yunnan province where, under a provincial government program to sow and fertilize hill pastures, 30 of the wealthiest families, less than 10 per cent of the village’s households, had been granted near-permanent leases in 1987 to most of that village’s common pasturelands.<sup>57</sup> This “wager on the strong” bias can also be observed clearly in China’s Hainan province, where in late 1993 Unger conducted a random survey of 69 farming families in six relatively prosperous rural townships that specialize in growing winter vegetables. Among these 69 families, only nine—13 per cent—had succeeded in securing loans from the government Agricultural Bank or Credit Association during the previous year.

---

<sup>55</sup> Ivan Szelenyi has discovered through surveys in rural Hungary that successful rural entrepreneurship there also clusters in the households that before the socialist era were middle peasant. Ivan Szelenyi, *Socialist Entrepreneurs: Embourgeoisement in Rural Hungary* (Madison: University of Wisconsin Press, 1988).

<sup>56</sup> Jean Oi, “Peasant Households Between Plan and Market”, *Modern China*, vol.12, no.2 (1986), pp.240-1.

<sup>57</sup> On this particular case, see Unger and Xiong, “Life in the Chinese Hinterlands ...”, p.8.

These families' average household income amounted to Y63,000, and they borrowed, on average, Y26,000 apiece. This compared to an average household income of only Y8,500 among the other households. Interviews revealed that the majority of these latter families had also wanted to borrow for investment purposes, but official banking policy favoured loans to those already rich.

In all, Unger's 1993 survey of 214 rural households in this and other parts of Hainan revealed that only 9.8 per cent of the families had received any formal loan during the past year. In one district, according to a deputy township head who was interviewed, almost all of the loans went to the relatives of township and village officials and to wealthy households, who reportedly often used the money to rent the land of neighbours who were short of capital. In yet another district, the head of a township confided that much of the credit went to households who had relatives employed at the Agricultural Bank and local credit associations. In Hainan, and throughout rural China, it appears that both the better-connected and the financially better-off households enjoy a distinct edge in getting access to whatever grants or credit become available.

Not only loans but also the Chinese tax system is regressively skewed to the advantage of the rural wealthy. One study has shown that the richest 10 per cent of the rural Chinese population receives 26 per cent of the total rural income but pays only 13 per cent of the taxes<sup>58</sup>—that is, they are taxed at only half the rate paid by the rest of the rural population. (One reason is that taxes are largely on land, which each family in a village, rich or poor, possesses in relatively equal measure, while non-agricultural sources of income are lightly taxed, if at all.) In China today, those who enjoy a head start then get assisted by the government's lending and tax policies and pull yet further ahead of their neighbours.

In Vietnam, the main policy bias in favour of the better-off families lay in the 1988 agricultural reform guidelines, which suggested that in order to increase agricultural efficiency, the better cultivators should be given the opportunity to obtain contracts for the best land. In northern Vietnam, however, this policy encountered resistance at the local level, as earlier noted, and as a result, by 1993 most communities in northern Vietnam had divided almost all of their fields on an egalitarian basis among villagers, regardless of gender and age. In general, the dynamics of government policies and community pressures in northern Vietnam has helped to contain the wealth gap, while in the case of China, the lack of strong community pressures in the

---

<sup>58</sup> Azizur Rahman Khan, Keith Griffin, Carl Riskin and Zhao Renwei, "Sources of Income Inequality in Post-Reform China", *China Economic Review*, vol.4, no.1 (1993), p.24.

face of the government's wager-on-the-strong policies have had regressive effects on income distribution within communities.

The consequence throughout rural China, more so than in Vietnam, is that wealth is becoming increasingly concentrated in the hands of the most prosperous households. This is due partly to the entrepreneurial initiative of a capable minority and partly to government policies that favour the already affluent—but sometimes it is due, too, to “official connections” in the form of nepotism and corruption.

Not surprisingly, Chinese farmers declare themselves to be far less resentful about wealth that has been acquired through what they consider legitimate means—hard work and skill—than wealth acquired through such official connections.<sup>59</sup> The extent of these latter practices, and their impact on the creation of a new moneyed class, should not be under-estimated, especially in the market-oriented communities.

### Self-enrichment among Rural Officials

#### *China*

With the return to family farming in China in the early 1980s, rural officialdom lost control over the daily work of the peasantry, and the cadres' arbitrary power over the peasantry was accordingly weakened. But the state's deliberate pullback from its domination of village life simultaneously weakened the central government's hold over the conduct of rural officials. Increasingly, networks of local officials have taken advantage of this pullback to favour their own private interests and those of their favourites, unimpeded by fears of anti-corruption campaigns or purges. And they are able to do so not only by positively intervening in behalf of their friends and kin but also by using their power directly to secure pay-offs from other families.

Chinese local officials have been able to benefit more than their Vietnamese counterparts. The former retain more leverage over the rural population, who remain dependent upon the goodwill of village and higher-level rural cadres to get access to fertilizers, credit, new housing sites and licences to engage in business. Chinese peasants frequently need to resort to currying these cadres' favour through gifts and shows of deference.

Corruption is most certainly involved here. But to consider it simply as corruption may miss an important ingredient undergirding these

---

<sup>59</sup> See, for example, Isabelle Thireau, “From Equality to Equity: An Exploration of Changing Norms of Distribution in Rural China”, *China Information*, vol.5, no.4 (1991), p.56.

transactions—new types of patronage networks are emerging. Even where entrepreneurial families do not already have any special *guanxi* relationships in place, by persistently giving small gifts they can curry the favour of the diverse officials who might be helpful to the operation and expansion of family enterprises. Under the collectives, of course, patron-client relationships between cadres and peasants also existed, but now an already prospering peasant family's wealth provides a distinct advantage in sealing such relationships.

Previously, under the collectives, the range of a family's potential patrons was greatly restricted. Because only a small group of local cadres controlled all of a village's economic and political affairs, all patronage flowed through them. Now a more pluralistic structure of patronage is developing. For different sorts of favours, peasants can go to different patrons. For example, peasants who hope regularly to get preferential access to building materials or to special fertilizers have developed *guanxi* connections with various marketing bureau personnel. Such procurements no longer need be funnelled through a single set of village cadres. This growth of diffuse patron-client networks provides the peasants with considerably greater freedom to manoeuvre; and their autonomous building of patronage links has further eroded the former rigid structuring of rural power.

The farmers do not appear to resent cadres who, as patrons, accept small gifts and dinners, but they are disturbed when rural officials grab for more than that. Yet the upper levels of the Chinese state permit such corruption in part, it appears, because they see this as necessary if they are to win the local officialdom's acquiescence to the economic reform programs. The cadres are thus being allowed to trade off some of their power for wealth, placing their own families into the new moneyed elite that is emerging.

Throughout the Chinese countryside, even in the poorest districts, such a trend was evident from the very start of de-collectivization. Even though the distribution of ordinary agricultural land was egalitarian and relatively free of corruption, the leasing or sale of production-team and village assets other than farm fields—orchards, fishponds, village factories and equipment—all too frequently favoured the families of the Chinese officials involved in their disbursement. Sometimes they improperly sold or very cheaply leased these assets to themselves. Other times, though the bidding processes were

technically open and fair, they were the only villagers with sufficient know-how and market connections, and thus the only ones to make a bid.<sup>60</sup>

Whatever the particular mechanisms that were at work, a survey of a north China village discovered that fully 54 per cent of the village's officials who have held positions during or since de-collectivization had become wealthy by local standards. This compares with only 16 per cent of the villagers as a whole. Interestingly, too, only 17 per cent of those who had once been village officials but no longer held office at the time of de-collectivization have become wealthy since then. Regardless of the skills they had earlier acquired as local cadres, without power over village resources they have done no better economically than the ordinary farmers.<sup>61</sup> Here and elsewhere in rural China, power and influence can be crucially important for attaining wealth.

If this is true of current-day Chinese village officials, their counterparts in the market towns and county capitals hold even greater opportunities to divert money into their own pockets. This is especially true in the rich coastal and suburban districts, where they control an array of collective factories that can be milked, and where local private entrepreneurs are getting into businesses that require licences and frequent interaction with local government offices. The pickings are far more meagre in the hinterlands: not one of the six impoverished counties in the interior of China where Unger conducted research in 1991 contained even a single private factory, and publicly owned factories were few and far between.

The richer areas have not only spawned a vigorous growth of both private and collective industrial and commercial activity. They have also, in tandem, given rise to two types of wealthy elite households: first, some of the cadres and their relatives, who have been converting official positions into sources of revenue; and, second, entrepreneurs who have risen through their own skill and resourcefulness. Before, under the collectives, there was a single hierarchy that was grounded in differential access to power; now there are two. One is still intimately associated with political and administrative power, but with power increasingly perceived as a means to wealth; and the second originates independently in ownership of economic assets, which in turn are used to buy political cooperation and protection. In certain circumstances

---

<sup>60</sup> See, for instance, Jonathan Unger, "Decollectivization in a Guangdong Village: An Interview", in John P. Burns and Stanley Rosen (eds), *Policy Conflicts in Post-Mao China: A Documentary Survey, with Analysis* (Armonk: M. E. Sharpe, 1986), p.277.

<sup>61</sup> Yan Yunxiang, "The Impact of Rural Reform ...", p.10.

these two sets—the mandarins and the entrepreneurs—have come into conflict, with the officialdom of some districts fitfully moving to suppress or to ruinously extort from the latter. But increasingly the two elites have developed a *modus vivendi* and, indeed, have begun to coalesce.<sup>62</sup> In some cases it is through business partnerships. Even more often, the sons of officials have placed themselves among the entrepreneurs with their parents' strong assistance. In yet other cases, strategic inter-marriages have emerged between the offspring of officials and those of wealthy entrepreneurs, bringing such families directly into the same fold.

The development of this new hybrid class does not bode well for the poorer sectors of the rural populace. As just one example, intervention by local officials sometimes becomes the only available means to ameliorate the harsh Dickensian work regime in some of the private rural factories. But a merging of the local power elite and the new moneyed elite would be likely to spell an end to the willingness of local officials to intervene in defence of workers.

### *Vietnam*

Although a number of rural Vietnamese cadres have taken advantage of their position to enrich themselves and their relatives, the evidence suggests that thus far the problem is less severe than in China. In 1989, 15 per cent of the 40,000 grievances received by peasant associations at various levels had to do with abuses of power by rural cadres, but such charges did not necessarily entail corruption.<sup>63</sup> In the early 1990s, a source within the Vietnamese

---

<sup>62</sup> Based on research in Sichuan, Ole Odgaard has separately come to similar conclusions in "Entrepreneurs and Elite Formation in Rural China", *The Australian Journal of Chinese Affairs*, no.28 (July 1992), pp.89-108.

<sup>63</sup> Cam Ngoan and Van Cong, "Thuc Trang Dan Chu, Cong Bang Xa Hoi va Thuc Hien Phap Che Xa Hoi Chu Nghia o Nong Thon" [The real conditions regarding democracy, social equity, and the implementation of socialist laws in the countryside], in *Kinh Te—Xa Hoi Nong Thon Viet Nam Ngay Nay* [Vietnamese rural economy and society at present], vol.2 (Hanoi: NXB Tu Tuong Van Hoa, 1991), p.425. In one case in the south, for example, peasants charged that rural cadres were arresting people for complaining

Communist Party estimated that only 10 per cent of rural officials were corrupt and oppressive.<sup>64</sup> Similarly, a Vietnamese government survey in 30 villages in 1989 revealed that respondents considered 75 per cent of their three key village leaders (Party secretary, president of the people's committee, and president of the agricultural cooperative) to be of high moral calibre, as well as 70 per cent of the occupants of the ten key village positions (the aforementioned three, plus the heads of the Party organizational committee, village police, village militia, the Fatherland Front, and of the youth, women's, and peasant associations).<sup>65</sup> The rest were considered to have problems ranging from unsatisfactory work-style to corruption. In four villages in the district of Chi Linh in the northern province of Hai Hung, 72 per cent of the respondents considered the occupants of the ten key positions to be people of integrity, and the 2 per cent who mentioned major problems cited only work style.<sup>66</sup>

If the statistical data are reliable, the household incomes of village and cooperative officials, while better than average, were not higher than local teachers, who did not wield any formal power in the local administrative system.<sup>67</sup> In a 1992 survey of well-off households whose annual per capita

about the land issue, which in the southern context had mostly to do with disputes concerning the claim to land by former owners (*ibid.*, p.426).

<sup>64</sup> Ho van Thong, "Tinh Hinh Cac To Chuc Chinh Tri Co So o Nong Thon Nuoc Ta" [The situation of the rural political organisational infrastructure in our country], in *Kinh Te—Xa Hoi Nong Thon Viet Nam Ngay Nay*, vol.2, p.414.

<sup>65</sup> Nguyen Minh Nien, "Ve Doi Ngu Can Bo o Co So Nong Thon Hien Nay" [On the cadre force in rural organisations at present], in *Kinh Te—Xa Hoi Nong Thon Viet Nam Ngay Nay*, vol.2, pp.469-72. The respective percentages ranged from 59 per cent and 53 per cent on the central coast and central highlands to 88 per cent and 76 per cent in northern Vietnam.

<sup>66</sup> *ibid.*, p.472.

<sup>67</sup> Among five provinces studied in 1989, the households of village and cooperative officials earned clearly more than those of local teachers only in the central coastal

incomes approached at least 1 million *dong*, the percentage whose pre-1988 backgrounds involved state power and employment was considerably higher in the northern part of the country than in the former South Vietnam (see Table 3). This could, though, simply reflect the fact that a higher percentage of the northern population had directly served in the state apparatus due to the greater role of the state in north Vietnam. It can also be argued that because the state controlled more land and other resources in the north, local cadres there, more than in the south, could exercise favouritism toward their colleagues when allocating resources. In one of the northern communities where Hy Van Luong has conducted field research, for instance, two ranking officials obtained construction material provided by foreign aid agencies although they were not strictly qualified to be the recipients. But corruption appears to be more prevalent in urban areas of Vietnam, where contractors, for example, often give kickbacks to officials in local infrastructure projects.

The increasing corruption mentioned by top Vietnamese leaders is certainly not restricted to urban areas. But there is a distinct impression that due to the poverty of the general population and close monitoring by villagers in tightly knit communities, resources have generally been distributed with relative equity; and that the higher percentages of successful entrepreneurs from the ranks of former cadres in northern and central Vietnam predominantly reflect their numerical strengths in these two regions and possibly also their managerial experience. To the extent that power generates wealth, we can hypothesize that this is more the case at the higher levels of the bureaucracy than at the level of village administration.<sup>68</sup>

**Table 3: Pre-1988 Backgrounds of Well-off Rural Vietnamese Households**

---

province of Binh Dinh, and significantly less than the latter in the northern highland province of Hoang Lien Son.

<sup>68</sup> On the basis of the strong correlation between power and income discovered in sociological studies in Hanoi, Tuong Lai has suggested that power is the primary basis there for urban differentiation in wealth. Tuong Lai, “Nhưng Ý Tuong Co Ban Rut Ra Tu Bao Cao Tong Ket Cuoc Khao Sat Xa Hoi Hoc ve Phan Tang Xa Hoi o Ha Noi” [Basic points from the final report on the study of social stratification in Hanoi], *Xa Hoi Hoc*, no.45 (1994), pp.3-7.

(annual per capita income of 1 million or more *dong*)<sup>69</sup>

	North Highlands and Midlands	Red River Delta	North Central Delta	South Central Coast	Central Highlands	South
No. of households in sample	309	281	255	240	149	908
Regular cultivators	35%	57%	34%	65%	66%	74%
Coop. officials	31%	23%	28%	21%	23%	18%
Armed/militia forces	25%	11%	28%	5%	4%	2%
State employees	8%	9%	10%	7%	7%	6%

Source: Nguyen van Tiem et al., *Giau Ngheo trong Nong Thon Hien Nay* [Wealth and poverty in the countryside at present] (Hanoi: Nong Nghiep, 1993), pp.100-1, 110-11, 120-1, 130-1, 234-5, 254-5, 264-5.

We suggest that in northern Vietnam, the self-enriching activities of rural cadres were constrained in comparison to China by the lesser success of rural industrialization and commercial development, the greater poverty of the population, as well as by a more assertive rural populace located in tightly-knit and highly endogamous communities.<sup>70</sup> Many Vietnamese farmers

<sup>69</sup> Nguyen van Tiem et al. set the 1992 poverty line at 13 kg. of rice per person a month (equivalent to approximately 280,000 *dong* a year), and he and his colleagues consider wealthy any households with an annual per capita income of 1 million *dong* or more. See Nguyen van Tiem et al., *Giau Ngheo trong Nong Thon Hien Nay*, p.13. In contrast, the World Bank set the rural poverty line in 1992-93 at 1.04 million *dong* per person a year! Households that are considered wealthy by Vietnamese standards can be considered merely non-poor by World Bank standards.

<sup>70</sup> In the village of Hoai Thi (pop.762 in 1990), the rate of village endogamy was around 50 per cent for the entire population, while rising to 75 per cent among marriages from

were willing to challenge policies and practices that benefited a more prosperous minority, as attested by the widespread switch in the early 1990s away from auctioning off land parcels in northern villages, notwithstanding national directives to the contrary.

The composite moneyed class is consequently still in an incipient stage of development in rural northern Vietnam. Such a class becomes more clearly visible only when we also consider the urban population. The 1994 salary increase to civil servants and military personnel that brought their official annual incomes to 2-18 million *dong* shifted more than 2 million people and their dependents, considered “middle class” in the urban context, into the same ranks as the wealthy of the countryside. According to government statistics from 1993 to 1994, the ranks of the (largely urban) truly wealthy had grown by 240 per cent during the previous four years.<sup>71</sup> If we add “unofficial” incomes from the exercise of power in the national bureaucracy (thereby benefiting privately from foreign investments and aid), the gap seems to be substantially widening between, on the one hand, the urban elite and a minority of well-off households in the market-oriented communities and, on the other hand, the great bulk of the rural population.

---

the 1986-90 period. In the village of Son Duong in Vinh Phu province, where Luong has conducted field research, it reached 82 per cent for the three-year period of 1989-91. See also H. V. Luong, “Vietnamese Kinship: Structural Principles and the Socialist Transformation in Twentieth-Century Northern Vietnam”, *The Journal of Asian Studies*, vol.48, no.3 (1989), pp.741-56.

<sup>71</sup> “Doi Moi’s Widening Gap between Vietnam’s Rich and Poor”, *Vietnam Investment Review*, 4-10 April 1994. According to official statistics for north Vietnam, rural GDP per capita stood at 20 per cent of the urban level in 1990. By 1995, it had declined to 14 per cent of the urban GDP per capita because of significantly greater economic growth in the cities. See Dang Tho Xuong et al., *Nong Nghiep Nong Thon*, p.57.

## Conclusions

We have observed that both China and northern Vietnam experienced relatively egalitarian land distributions when the collectives were split up, but income differentials thereafter have widened to a far greater extent in China than in Vietnam. As seen in these pages, this has been due mainly to three factors: differences in government policies; in intra-village structures and pressures; and in levels of economic development. In China more than Vietnam, the government has pursued policies that favour those households who already have a head start in what we have called a “wager on the strong”, while the Vietnamese government’s initial feints in that direction have been deflected by counter-pressures from rural Vietnamese communities. Most importantly, the differences in socio-economic differentiation between rural China and northern Vietnam also reflect the fact that China’s rural coastal regions and areas near cities have witnessed an ongoing economic boom. A surge in rural industrialization is responsible for powering this boom, a phenomenon that has not yet occurred in Vietnam.

There is no virtue in poverty. If the smaller income disparities in northern Vietnam are due largely to a lower level of rural development and come at the price of lower overall standards of living, then more decent living standards alongside greater income disparities would provide a far preferable outcome. But such an argument would, we believe, be predicated upon erroneous assumptions. Many scholars in the field of development studies since the 1970s have argued that there is no necessary trade-off between economic progress and relatively equitable distributions in income. Taiwan provides a prime example: its rapid and sustained economic growth was accomplished without any widening—and indeed, with a narrowing over time—of differentiations in income.

As the development of the Vietnamese countryside proceeds, northern Vietnam may or may not follow the pattern of the commercialized districts of rural China. But in light of Vietnamese government policy and the internal structures of Vietnamese villages, income disparities in rural northern Vietnam are likely to be more muted in the short and medium terms, both within villages and across regions, than is being witnessed today in China. (In the longer run, however, the *de facto* privatization of land in Vietnam may possibly contribute to greater socio-economic differentiation there.) In both countries, the degree of socio-economic stratification that gets set in place during this period of rapid economic transition away from agrarian socialism will determine the nature of society for decades to come, and in this single important respect rural northern Vietnam may hold better prospects than the Chinese countryside.