



0305-750X(93)E0036-J

# Chinese Urbanization and Development Before and After Economic Reform: A Comparative Reappraisal

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**Summary.** — This paper analyzes the recent process and consequences of China's urbanization by weighing the short-term policies and long-term strategies concerning national development and urban growth against the objective material conditions and competing group interests in Chinese society. Comparative insights are drawn from the experiences of other late-developing countries where the effects of political decisions concerning urban growth have been fundamentally modified by social and economic forces. Thus China's urbanization is examined here in terms of the four major aspects of Third World urbanization: overurbanization; urban bias and the parasitic versus generative nature of cities; rural development and the role of small urban places; and interregional balance in urbanization and development. The rapid and complex process of urbanization certainly helps boost the dynamic of the post-Mao Chinese economy, but not without the problematic symptoms of congestion and inequality.

## 1. INTRODUCTION

Urbanization has not necessarily been a process in which the social and economic forces of modern industrial systems gradually induce peasants into towns and cities. In the experiences of most late-developing as well as many already developed countries, arbitrary but critical political choices have been made either to halt or accelerate the demographic concentration in a few or numerous urban places. This has been the case in the People's Republic of China where the unique ideological orientation and developmental policies of the communist party-state have almost exclusively shaped the growth patterns of urban areas sometimes with quite dramatic social and economic outcomes.

During the Great Leap Forward in the late 1950s, the massive mobilization of the peasant population for labor-intensive local industrialization resulted in an overnight creation of thousands of commune centers each accommodating tens of thousands of people. During the two-decade period following the ending of the Great Leap Forward, the strict control of population movement, particularly from rural to urban places, denied the rural population any meaningful choices in responding to the worsening man-land ratio — for instance, leaving the village for urban industrial sector jobs and thereby becoming urban residents. In the 1980s, however, a combination of reform policies have granted some of the rural population the freedom to “depeasantize” themselves, and these peasants-turned-workers and their families have been mainly responsible for urban growth of over a hundred million people in a decade.

China's most recent urbanization policy along with other economic reform measures have ironically resulted in a situation where government policy choices alone, unlike in the past, do not automatically produce visible intended changes in urban growth. Although it is important to recognize the significance of the developmental policy turnaround initiated by Deng Xiaoping in the Third Plenary Session of the Eleventh Central Committee of the Communist Party of China (CPC), the trends and patterns of China's urbanization since the early 1980s cannot be meaningfully explained by referring only to the contents of major policy documents and political speeches. Instead, the processes and consequences of China's urbanization can be properly analyzed only when short-term policies and long-term strategies concerning urbanization and development are comprehensively examined and evaluated against the objective material conditions and competing group interests surrounding urban growth. Likewise, it appears more appropriate than ever to draw some comparative insights from the experiences of other late-developing countries where urbanization has been a much more complex process of economic transformation and

\*Some ideas in this article were presented at the *ESCAP(UN) Pre-Conference Seminar on Migration and Urbanization*, January 21–25 1992, Seoul, Republic of Korea. The author is indebted to Prof. Sidney Goldstein for inspiring advice on Chinese urbanization in general and to two anonymous reviewers for comments on an earlier version of this paper. Final revision accepted: November 11, 1993.

group conflict than had been experienced in prereform China.

Urbanization in China is examined here in terms of four major themes which dominate research on Third World urbanization: overurbanization; urban bias in development and the parasitic versus generative nature of cities; rural development and the role of small cities and towns; and interregional balance in urbanization and development. In so far as these aspects of urbanization have been important in other Third World countries, the discussion presented here could be meaningfully applied to the experiences of urbanization and development in other late-developing countries. Section 2 is an overview of the historical patterns of China's urban growth followed by an analytical appraisal of the pre- and postreform processes of China's urbanization. In conclusion, the urbanization experiences of neighboring Asian countries are comparatively examined with a focus on the major problems and dilemmas that have been generated amid their rapid urban and industrial growth. These are the critical issues of China's future course of urbanization which should be assessed from a comparative perspective.<sup>1</sup>

## 2. HISTORICAL PATTERNS OF URBANIZATION IN CHINA

### (a) *The trends of urbanization and industrial restructuring*

When the People's Republic was created in 1949, 10.6% of China's 542 million people were in urban areas (SSB, 1992, p. 79).<sup>2</sup> In 1979, at the beginning of Deng Xiaoping's economic reform, 19.0% of the 975 million people were urbanites. In 1990, after a decade of economic reform, 26.41% of the 1,143 million were counted as such. Although the change in prereform China's degree of urbanization apparently fell behind the global trend, it nevertheless indicated that about 127 million people were added to the urban population during 1949-79. During 1979-90, the growth of the urban population escalated rapidly as about 117 million more people migrated legally to dwell in urban areas. Moreover, it is suspected that many more people entered urban places without changing their formal residence status intending to remain permanently (Goldstein and Goldstein, 1991). To accommodate the heavy increase of the urban population, the total number of cities had grown from 173 in 1953 to 236 in 1982 to 464 in 1990 (SSB, 1992, p. 311). Moreover, particularly in the 1980s, there had emerged thousands of new towns, e.g., 2,664 towns in 1982 and 11,392 towns in 1990, mainly expansions of concentrated rural settlements. Despite the number of new designated urban areas the population size and

land area of each existing city and town had also substantially grown.

The rise in a country's urbanization level in general results from either the relatively fast growth of the urban population (*vis-à-vis* the rural population) or the population movement from rural to urban areas. In China, the relative significance of the two components of urban growth varied over different historical periods and it is extremely difficult to properly measure mainly due to the lack of data. In addition, the difficulty is exacerbated by the frequent changes in the official definition of urban areas in China. But, roughly speaking, the 1950s (in particular, the late 1950s) and the 1980s were the periods in which rural-to-urban migration was perhaps a more significant factor in urbanization than natural population growth (CFEPH, 1988; Goldstein, 1985). In the 1960s and 1970s, the strict control of rural-to-urban migration, combined with the massive campaign for youth rustication, was responsible for a long-term stagnation in urbanization.

The effect of governmental reclassification of urban areas was particularly important during the 1980s. In 1984, the Chinese government decided to substantially relax the demographic and economic requirements for the urban status of cities and towns.<sup>3</sup> This was a response to "the eagerness of officials in rural towns and villages to have their localities promoted to cities or to designated urban towns in order to reap the benefits of greater autonomy and financial power" and to "the large proportion of villagers desiring to live in urban places" (Goldstein, 1990, p. 675). Consequently, there were sharp increases in the numbers of cities and towns as well as the size of the entire urban population in 1984. While most of these newly designated urban areas did benefit from the more favorable administrative regulations and resource allocations thereafter, they could not immediately prepare the urban infrastructure and industrial capacity generally required for urban settlements. Goldstein (1990, p. 675) depicts this creation of many unqualified cities and towns as the "ruralization" of urban areas.

The process of urban growth was accompanied by the hierarchical and geographical transformation of the urban system in China. In its hierarchy, there emerged a number of mammoth metropolises at the upper echelon of the urban system; whereas at the bottom, as mentioned above, many rural towns were created or administratively redesignated, in recent years. Although the towns lack many characteristics of typical cities, the size of the accommodated population and their service functions clearly indicate that they have become an essential part of the Chinese urban system (Goldstein, 1985; Tan, 1986).

At least in the prereform period, the emergence of these urban components took place in a regionally diffuse manner, so the urban system became geographically more balanced. The growth of noncoastal metropolises was of particular importance since they

were the locus of industrialization in the traditionally backward interior regions (Chang, 1981). These regional metropolises produced two contrasting trends in the urban-industrial system in China: decentralization at the national level and centralization at the regional level.

Along with urban growth, the Chinese economy was gradually industrialized. The total product composition of (manufacturing) industry sharply increased from 40.0% in 1952 to 70.2% in 1978, and this level was by and large maintained in the 1980s (SSB, 1992, p. 394). In the Maoist era, the increase in industrial production was largely an urban phenomenon. This tendency was sharply reversed in the reform era when rural industry became the most vigorous economic sector and even caused the "overheating" of the national economy. In absolute terms, industrial product showed a net 27-fold increase during 1952-90. The proportion of agricultural output constantly declined until the late 1970s but somewhat increased in the early 1980s (thanks to agricultural reform measures such as upward price adjustment and cropping diversification). The proportion of tertiary outputs was usually maintained low, around 10%, largely due to the socialist ideology of emphasizing "the productive sectors."

#### (b) *In perspective*

Considering these changes, the "urban hiatus" (Sit, 1985) in China suggested by many outside observers has not been entirely verified. As Kwok (1982, p. 552) suggests, "The question was not whether to urbanize or not, but how to urbanize." In other words, the Chinese government had recognized the importance and necessity of urban growth in the national economic buildup. Despite the frequent political conflicts and policy swings between Maoists and pragmatists, developmental efforts have been directed toward two main objectives: industrialization and poverty elimination (World Bank, 1983). Until recently, the principle of economic self-reliance (*ziligengsheng*) had put these two objectives in acute competition for China's much limited capital, land, and skilled manpower. The prereform leadership of the CPC adopted a dual approach to minimize this conflict by leaving poverty reduction efforts to local initiative while pursuing heavy industrialization with a massive infusion of centrally mobilized resources. In other words, the main economic role of the state lay in organizing and financing industrialization in major urban centers, whereas the peasant population was expected to develop agriculture and rural industry with indigenous resources. This policy was not designed to induce massive urbanization, i.e. population movement from villages to cities, which was ideologically opposed.

Industrialization without population concentration in cities was certainly an element of the uniquely Chinese (or Maoist) strategy of national development. Lewis (1954) argues that societies with large labor surplus in subsistence sectors may achieve sustained industrialization by gradually releasing such surplus labor from subsistence sectors into newly created industrial sectors at near-subsistence wages to the point of intersectoral equilibrium in the marginal productivity of labor. This typical model of Third World industrialization presupposes a gradual but sustained outflow of labor from agrarian terrains to urban industrial centers, which is also a typical urbanization process. The Maoist model of industrialization, however, differed in that capital-intensive heavy industrialization did not contribute much to absorbing rural surplus labor. Although the natural growth of the urban population and labor force was also sizable, the capital-intensive nature of newly built heavy industries critically reduced the "labor-absorption capacity" of the urban economy and thus failed to help relieve rural population pressure.

At times, the Maoists did try to tap the abundant resource of rural labor for industrialization, however, within the confines of the rural communes. Since the late 1950s, there had been continual efforts to develop rural industries at the commune and brigade levels for agricultural producer goods and basic consumption goods by mobilizing peasant labor on the seasonal and/or rotational basis. This was *rural industrialization* because working at commune- or brigade-run factories did not necessarily imply rural-to-urban migration or social transformation into a urban worker class (Chang, 1993a). What happened under the Maoist initiative was not urbanization of the rural population but a *ruralization of the conventional urban industry*.

Under post-Mao economic reform, the severed link between industrialization and urbanization has been somewhat restored as more and more peasants and their family members are allowed to enter urban areas at various levels and seek entrepreneurship or employment in rapidly expanding labor-intensive, light industries and tertiary sectors.<sup>4</sup> Now industrialization in socialist China seems to approximate the above-mentioned Lewisian model more closely than ever (Chang, 1993a). (Perhaps, this is the most important aspect of China's reform, which has enormous social, political, economic as well as demographic implications.) By the same token, China's urbanization in the reform period appears more comparable to that of nearby late-developing (capitalist) societies than ever.

### 3. OVERURBANIZATION BEFORE AND AFTER ECONOMIC REFORM

Overurbanization was a popularly used concept in the 1950s and the 1960s when rapid urbanization in

many Third World countries, contrary to the promise of modernization theory, failed to bring about industrialization or economic growth at any comparable rate. The overurbanization thesis, however, was an attempt to overcome modernization theory without reconsidering its epistemological limit. For instance, Sovani (1964) presented a devastating criticism that the overurbanization argument inadvertently accepted the unievolutionary path of modernization in analyzing the relationship between urbanization and industrialization in Third World countries. Nonetheless, "Sovani's cautionary note that the subject of overurbanization needed to be investigated further" (Gugler, 1982, p. 173) is still relevant today. In this section of the paper, let me refer to a simplified version of the concept centered on the ecological dimension of urban development, i.e. the capacity of urban places to provide sufficient jobs, incomes, and various urban amenities for their residents. This corresponds roughly to the so-called 'carrying capacity' of urban areas presented in the urban ecology literature.<sup>5</sup>

Has China been overurbanized like many other late-developing countries? In other words, is China's urbanization level unsustainable given the capacity of the urban industrial economy to provide sufficient jobs, incomes, and urban infrastructure? Mainly due to the state policies designed to constrain rural-to-urban migration and even send down urban youths facing current or prospective unemployment to rural areas, the historical process of urbanization in prereform China was much less dramatic than those of other late-developing countries. Chinese policy makers appear to have been as much concerned about the consequences of overurbanization as any other countries' policy makers.

As Preston (1979) once emphatically pointed out, however, the real challenge faced by China as well as other late-developing countries is not the rate of change in the proportion of the urbanites but the magnitude and growth rate of the urban population itself. China's urban population on the eve of Deng's reform was 185 million, and this was 3.21 times as large as that in 1949. Even after the policy of strict migration control forced the rural population to suffer from the constantly aggravating man-land ratio, Chinese cities were far short of adequate jobs and facilities to accommodate nearly 200 million urban residents. There even emerged massive campaigns for sending urban youths to rural communes under the slogan of "serving and learning from tillers." In reality, the burden of providing jobs and amenities for many of the new entrants in the urban economy was thereby transferred to the peasant economy.

It appears true that the demographic change (i.e. natural population growth) aggravated the problem of overurbanization in prereform China. A more crucial factor, however, may be found in those conscious policy choices of the Chinese party-state favoring capital-

intensive, or low labor-absorptive, heavy industrial development. Under Maoist industrialization, Chinese cities lost opportunities to expand urban commerce and services as well as light consumer goods industries, which would have created far more jobs than were actually available. The Maoist pursuit of economic and military self-reliance was not unsuccessful in raising China's productive capacity and technological level in selected industrial sectors, but more immediate economic needs such as increasing urban employment to help relieve rural population pressure as well as to improve the living standards of urban workers were less well served than long-term political goals.

Despite the burden of potential economic overpopulation, Chinese cities have shown relatively low levels of dehumanizing symptoms of urban growth (Murphey, 1976). A prereform city was divided in an orderly way into functional zones — distinct areas of production, commerce or transport, with housing and service facilities located nearby. Pollution, traffic congestion, crime, and other symptoms of overcrowding were at relatively tolerable levels. Most importantly, the urban residents regularly employed by state enterprises had been guaranteed not only stable employment and modest wages and pensions but also food, housing, and health benefits (Dixon, 1981), all of which are exceptional middle-class privileges in most other late-developing countries.<sup>6</sup>

Since post-Mao reform measures have been proclaimed to reflect economic rationality rather than political ideals, this politically induced aspect of China's (over)urbanization may be expected to gradually change. In fact, it has been emphasized that industrial restructuring should be achieved to expand labor-intensive consumer goods industries as well as to develop some service sectors such as communication and transportation (Kueh, 1989). While heavy industrial production has been concentrated in relatively large cities such as provincial capitals and northeast industrial centers, new light industries (and tertiary ventures) have been set up in urban areas of various sizes including small cities and towns across China (Fei, 1989). Thus labor absorption in industrial and tertiary sectors has rapidly expanded both in absolute and relative terms. Industrial sectors employed 72.41 million workers (17.7% of the total labor force) in 1979 and 121.58 million workers (21.4% of the total labor force) in 1990, representing a 67.90% increase (SSB, 1992, p. 99). Tertiary sectors employed 51.54 million workers (12.6% of the total labor force) in 1979 and 105.33 million workers (18.6% of the total labor force) in 1990, accounting for a remarkable 104.37% increase.

Permitting rural-to-urban migration for the first time after two decades has not necessarily led to a sudden breakdown of the Chinese urban system due to overurbanization. Following the introduction of

household responsibility systems in agricultural production, a cautious measure of allowing short-range migration of peasants to nearby towns and small cities was implemented (Chang, 1993a; Goldstein, Goldstein, and Gu, 1991). Of course, the direction and duration of peasants' urban migration could not be thoroughly determined along policy lines, and even China's largest cities are now crowded by hundreds of thousands, or sometimes millions, of peasant migrants in pursuit of various laboring and entrepreneurial activities (Goldstein and Goldstein, 1991). In terms of infrastructure and amenities, few Chinese cities and towns are ready to accommodate the economic participation and livelihood of these peasant migrants, and thus the symptoms of overurbanization are more serious than before. In other words, the above-mentioned orderly atmosphere of Mao-era Chinese cities becomes less and less evident in contemporary Chinese cities, whose physical congestion, pollution, crime, prostitution, and even political unrest are increasingly publicized by domestic and foreign media. In terms of an economic prospect, however, no hasty conclusion could be reached since the types and numbers of new urban economic activities are very rapidly expanding.

Nonetheless, it is important to note that the reform measures concerning the already existing, mostly state-run industries have been least successful due to both economic mismanagement and the vested and interwoven interests of the party, labor, and economic bureaucracy (Lee, 1992; Kueh, 1989). Thus, most of the new industrial enterprises operate in a different orbit — perhaps increasingly in the market system — from state enterprises nurtured in the so-called state capitalist system (Bettelheim, 1988). Relatedly, few migrant workers benefit from such stable laboring conditions and welfare benefits as have been provided for employees of state enterprises (Chang, 1993b). In a sense, the very presence (and domination in resource allocation and economic regulation) of formerly state-run and/or currently state-sponsored large enterprises has facilitated the *informalization of the Chinese urban economy*. This trend has been a customary symptom of overurbanization in other late-developing societies as well where "state bias" (Nolan and Whyte, 1984) is pronounced to preferentially deal with large corporate and state-owned sectors. Under this circumstance, the symptoms of overurbanization, including disarticulation of poor migrants, are inevitably amplified.

#### 4. GENERATIVE OR PARASITIC URBANISM

Had cities in Maoist China contributed to advancing the economic well-being (as was enjoyed by urban workers) in the surrounding and more distant rural areas? In other words, borrowing Hoselitz's (1955)

terminology, had cities been externally (i.e. for rural areas), as well as internally (i.e. within urban areas), *generative* rather than *parasitic*? In the modern era, under the particular circumstances of Third World development, cities have often been observed to produce various negative developmental impacts on rural areas such as monopolization of land and capital and destruction of indigenous farming systems and social structures (Geertz, 1963; Lipton, 1977). The socialist ideology of the CPC was manifestly against this predation of the village economy by urban forces. In fact, the overcoming of the urban-rural divide as well as the worker-peasant divide was one of the core targets of the so-called 'permanent' or 'uninterrupted' revolution (Riskin, 1987).

In case of prereform China, there had rather existed structural barriers by which state policies had systematically hindered any outflow of the generative consequences of urbanization for rural areas.<sup>7</sup> Particularly in their tight control of rural-to-urban migration and capital-intensive heavy industrialization, Chinese cities had failed to be generative in creating such industrial sectors that could have gradually absorbed a sustained inflow of rural surplus labor and provided what Hirschman (1958) called "backward linkages" for rural industrial and agricultural development (Kueh, 1989; Chang, 1993a). As pointed out above, Chinese cities had not been the centers for a Lewisian model of economic development, whereas the symptoms of severe population pressure were by and large contained within the confines of the rural communes.

It is not negligible that Chinese industries had made available for farmers various new agricultural inputs such as chemical fertilizers, pesticides, and tractors (Riskin, 1987). Such impacts, however, seem to have been far overshadowed by the structural constraints imposed on the rural economy under peasants' coerced attachment to grain production. To this must be added those state policies which appear to constitute what Lipton (1977) dubs "urban bias." Such policies included unequal exchange of agricultural and industrial products at state-imposed prices, minimal state investment in agriculture, and discrimination against rural residents in pensions, food subsidies, housing and health benefits (Nolan and Whyte, 1984; Chang, 1993b). Despite the Maoist rhetoric of "cities serve villages" (Murphy, 1976), the Chinese countryside had suffered from a sort of *state-imposed urban parasitism*.

The critical long-term consequence of agricultural decollectivization in post-Mao China is the economic autonomy of rural families exercised against urban-biased state policies than, as has been argued, the solving of work-incentive problems supposedly inherent in collective farming (Chang, 1992).<sup>8</sup> Managers of family farming units (i.e. heads of peasant families) would be much more resistant than leaders of collec-

tive farms to those state policies which tend to sacrifice peasant interests for the sake of urban economic growth and stability. In particular, coerced grain production for state-imposed low procurement prices — a measure to stabilize the livelihood of urban workers — could not be maintained any more because individual peasant families, if possible at all, would respond primarily to their own immediate economic interests rather than to urban political interests. This was why substantial upward adjustment in agricultural producer prices and cropping diversification were immediately carried out in the process of rural decollectivization (Chang, 1992). More important, peasant families would no longer permanently attach themselves to their scarce farmlands for the sake of social and economic stability in the cities. Now Chinese peasant families want their members (whose labor is somewhat redundant in agricultural production on scare farmlands) to be directly involved in industrialization and thus frequently send them to urban areas of various sizes and distances. Partial relaxation in migration control and partial encouragement of short-range, temporary migration were thereby offered by the Chinese government to peasant families (Goldstein, 1985; Goldstein and Goldstein, 1991). All these tendencies triggered a new path of rural industrialization, i.e. the development of *xiangzhenqiye* (township and town enterprises) in small urban areas surrounding Chinese villages (Chang, 1993a).

Industrialization with urbanization (i.e. rural-to-urban population movement) in the 1980s at the least helped to relieve the burden of severe rural overpopulation and to raise the marginal as well as the average agricultural productivity of labor. In addition, the diversification of rural production activities such as cash crop cultivation and sideline production has been closely linked to the development of new industrial sectors, particularly in rural towns and small cities (Chang, 1993a). This intersectoral linkage is often established within each peasant family or group of peasant families as economic adaptation takes place in terms of intrafamilial division of labor between farming and nonfarming activities (Chang, 1993a). These aspects of China's economic reform lead us to conclude that some of the Chinese urban areas, where rural industrialization takes place with the active participation of peasants from villages nearby are now generative for the rural economy.<sup>9</sup>

##### 5. SMALL CITIES AND TOWNS AND RURAL DEVELOPMENT

The socioeconomic consequences of urbanization for various sections of the population may fundamentally vary due to the structure of the urban system. In particular, the development of small cities and towns which are surrounded by rural villages and perform

various socioeconomic functions for peasants is a critical precondition for overcoming the problematic structural divide and unequal relationship between urban and rural areas. This is a political as well as analytical issue of great significance in China where the fate of small cities and towns most closely reflects, on the one hand, the general direction of the national development plan and, on the other hand, the specific nature of the urban industrialization strategy (Fei *et al.*, 1986; Tan, 1986; Goldstein and Goldstein, 1990).

As even Chinese policy advisors themselves acknowledge (e.g., Fei, 1989; Fei *et al.*, 1986), the state policies concerning small cities and towns before the post-Mao reform had by and large adversely affected the concerned population. The fate of small cities and towns closely reflected the cycles of drastic economic policy changes, prospering when labor-intensive rural industrial and sideline activities were encouraged and declining at other times. On the whole, small cities and towns had been most adversely affected by the state policy of deemphasizing production of consumer goods and services traditionally prospering in such urban places (Fei, 1989; Kwok, 1982). In addition to their economic decline, many of rural market towns had lost their official urban status until recently. Consequently, the proportion of the population in small cities and towns had rapidly decreased, so the decline of the middle geographic layer exacerbated the urban-rural economic cleavage (Goldstein, 1985; CFEPP, 1988).

While these small cities and towns were not the centers of heavy industrialization in Mao-era China, they could have been highly *generative* places for surrounding rural areas. The small-scale manufacturing industries, commerce, and other tertiary activities accommodated by these types of urban areas provide various linkage effects for rural areas as they encourage production of specialized agricultural raw materials and sideline activities, in addition to employment of the otherwise surplus rural labor force. All these positive outcomes of development of small cities and towns had to be foregone in China until recently, and the amount of such lost benefits has been vividly illustrated by the rapid growth of nonagricultural rural incomes under the current reform policy of encouraging small town development (Chang, 1992, 1993a; Fei *et al.*, 1986).

As Goldstein (1985, p. 1) points out, various complex problems and constraints in national development in the 1980s led Chinese reformers to adopt "a clearly and firmly articulated policy of strictly controlling the growth of big cities while encouraging the growth of small cities and the development of towns and commune centers into new urban centers." It was because small cities and towns "serve as political, economic, cultural, educational, health, and service centers for their rural hinterlands" and "are also viewed as bridges, fostering interaction between larger cities and

rural areas, facilitating market flows, and thereby benefiting economic development in both urban and rural places" (Goldstein, 1990, p. 674). That is, their purposes are not only to prevent overcrowding in large metropolitan areas by inducing urban migration flow elsewhere but also to restore the severed social and economic linkage between rural villages and nearby urban areas in a process of *industrialization with urbanization*.

Although much of the scholarly and public interest in Chinese rural reform has been directed to the celebrated outcomes of agricultural decollectivization and privatization, small-scale private farming does not appear to be a viable long-term solution in materially supporting the more than 800 million peasants. Various estimates suggest that 100–200 million agricultural laborers (out of the total 340 million) are redundantly engaged in farming (Goldstein, 1990; Chang, 1992). There is intense pressure for rural exodus which can no longer be ignored. While most of China's large cities currently struggle with their deficit-ridden state industries, small cities and towns appear to function as a safety valve by gradually releasing the pressure of rural population surplus. Stable and sustained industrialization in these small urban areas is necessary if China is to overcome the predicament of massive surplus population and address long standing conditions of underdevelopment.

As mentioned earlier, both the economic forces of society-centered industrialization and the administrative decisions to reclassify numerous rural towns as urban areas have been responsible for an unprecedented rapid increase of small cities and for the growth of urban populations (Fei *et al.*, 1986; Tan, 1986; Goldstein and Goldstein, 1990; Goldstein, Goldstein, and Gu, 1991). Although many such administratively created towns lack the general features and requirements of urban areas — in particular physical, social, and administrative infrastructure — their economic vitality appears to contribute substantially to the lively urban atmosphere (Tan, 1986; Fei *et al.*, 1986). Without the explosive growth of various industrial and tertiary activities undertaken by both permanent residents and temporary peasant migrants in these small cities and towns, post-Mao economic reform would have lost its core momentum by the mid-1980s (Chang, 1993a). Agricultural production since the mid-1980s has fluctuated substantially; state enterprises in big cities have continued to show large, chronic deficits. At least in the remaining years of this century, the Chinese effort to sustain economic growth and reduce unemployment and underemployment will rely on the new types of industrial and tertiary activities in small cities and towns undertaken by various nonstate groups and individuals.

Nonetheless, the economic momentum in small cities and towns cannot be expected to continue indef-

initely, and social and economic stabilization in these new urban areas will not be achieved without sustained infrastructure development and associated rural development. In addition, the growth potential of small-scale, low-quality consumer goods industries in these small cities and towns will be critically reduced when Chinese consumers become wealthier and seek high-quality, famous foreign-brand goods produced both domestically and overseas. The policy of administratively encouraging (and sometimes ordering) peasants to migrate only to certain small cities and towns will not suffice to maintain an urbanization trend centered in the low strata of the urban system. Conversely, the development of small cities and towns will not automatically lead to sustained rural development (while the latter is often considered a requirement for the former). That is, a conscious, full-scale effort will have to be made to foster long-term rural development by utilizing the human, technical, financial, and organizational resources accumulated in neighboring urban areas.

## 6. INTERREGIONAL BALANCE IN URBANIZATION AND DEVELOPMENT

The issue of spatial inequalities in the levels of urbanization and economic development has induced both theoretical and political debates in virtually every country. According to the functionalist perspective, uneven regional development is an inevitable dimension of the division and specialization of labor in the modern industrial economy (Browett, 1984). It is argued that this division and specialization of labor assures that the entire population will ultimately benefit from interregional inequalities which, in turn, are unavoidable to increase the national wealth. The structuralist viewpoint, however, holds that interregional inequalities are necessary not for nationally integrated development but for development (of some regions) based upon underdevelopment (of other regions). That is, unless decisive local actions are taken, interregional disparities will continue to grow as the national economy grows. It may be difficult to determine which perspective explains the Chinese situation most appropriately. Post-Mao reform, however, marked a fundamental shift in the official doctrine concerning interregional development from the structural to the functionalist perspective.

In prereform China, the Maoist strategy of spreading industrialization as widely as possible into the formerly underdeveloped inland provinces and making them as self-reliant as possible had led to a distinctly Chinese phenomenon — the rapid growth of old and new inland cities, in particular, inland provincial capitals (Chang, 1981; CFEPH, 1988). The diffusion of industries from coastal areas to inland areas became a strategy for industrialization for several reasons

(Kueh, 1989). First, the backwardness of inland areas was particularly problematic for industrialization. The Maoist ideal of *ziligengsheng* required a self-contained industrial system in each region or province, so that the construction of interior industrial centers was actively promoted. Second, urban-rural socioeconomic inequality coincided with the interregional inequality. Thus the national problem of rural poverty, it was hoped, would decrease as a result of the expansion of industrial centers in the predominantly rural inland areas (Chang, 1981). Third, the interregional distribution of industries, by diffusing the *urban pull* factor, was expected to alleviate potential urban problems in the already congested mega-cities on the coast. Urban atrophy, highly pronounced in neighboring Asian primary cities, was a symbol of colonial jet-sam intolerable under the socialist ideology (Sit, 1985). Finally, although China has long been ethnically dominated by the Han, its vast territory requires an extraordinary effort at political control and economic integration of border regions and environs of ethnic minorities. China's border disputes with the Soviet Union, India, and Vietnam added to the concern. Thus, conscious attempts were made to develop strategically important industries, place military settlements, and even relocate Han people into interior cities of the concerned regions (Riskin, 1987; Kirkby, 1985).<sup>10</sup>

In this context, many industrial cities were newly constructed in inland areas and, more importantly, existing cities grew into mammoth metropolises. Hence, urbanization level of the inland areas had increased from 12.8% in 1955 to 18.4% in 1980, whereas the corresponding statistics for the coastal areas only slightly changed from 17.8% in 1955 to 19.8% in 1980, respectively (CFEPH, 1988, p. 78).<sup>11</sup> In the same vein, "the five provinces and autonomous regions with the fastest pace of urbanization were all in the inland areas and were key areas of economic construction" (CFEPH, 1988, p. 80). While its macroeconomic efficiency has been subject to debate, the policy of industrializing inland areas and hence developing inland cities undoubtedly benefited the interior population. This policy also contributed to reducing the urban primacy of coastal metropolises (Goldstein, 1985), which continues to be a problem in neighboring Asian countries and in many other countries.

Post-Mao reform programs are designed not only to unleash the developmental potential of rural areas but also to gradually replace the political-bureaucratic mechanism of economic coordination with the market and to expand economic participation in the world market (Bettelheim, 1988). To the extent that the Mao-era development of inland cities was determined by party leaders and state planners and fueled by state-allocated resources, the increasing emphasis on non-bureaucratic (i.e. market-centered) economic coordination in the reform era threatens the long-term

economic viability of inland metropolises and smaller cities. It is Shanghai, Tianjin, Guangzhou and other eastern coastal cities to which the market-determined flow of human and financial resources is directed. Furthermore, the increasing economic reliance on foreign capital, technology, and markets has inevitably magnified the economic importance of coastal regions where industrial production and transactions linked to foreign economies are most active.

In regard to the economic fate of interior cities and surrounding rural areas, all these recent tendencies seem to constitute what Myrdal (1957) called the "backwash effect" in development. The development of interior economies has been somewhat stultified.<sup>12</sup> The local economic autonomy of coastal provinces and municipalities — in part nourished by the increasingly powerful and independent position of their pragmatic leaders — certainly works against any regional or central efforts to redress this problematic tendency of interregional disparity.<sup>13</sup> Even though this widening interregional economic inequality has not been confounded by such serious problems as visible ethnic division and confrontation (except in Tibet and Xinjiang) as have been experienced in the Soviet Union, the tradition of regional political rivalry and economic autarky is sure to produce many obstacles to nationally integrated economic development. On the part of poorer provinces, the reformist strategy of resetting interprovincial economic relations toward more specialization and division of labor appears highly questionable. The market and industry of the interior provinces are victimized for what reformers consider the enhanced efficiency and performance of the market-coordinated national economy. Rather than awaiting a "trickle-down" effect of the liberal economic restructuring in the long run, some of them pursued a sort of economic protectionism by prohibiting import from other provinces and refusing to export raw materials (Yang, 1991). During the process of power succession in Beijing, particularly after Deng Xiaoping's death, the issue of regionalism will gain much more political weight. This will occur because consolidation of regional political support will be a critical requirement for the new leadership to maintain the current state system.

## 7. CONCLUSION AND PROSPECT

Economic reform measures in post-Mao China created a new direction of urbanization. While economic reform requires continuous trial and error in most areas of national development, making it difficult to diagnose any consistent course of social and economic change, China today is nonetheless a vastly different society from little more than a decade ago. Above all, whether according to the Chinese official account or some other internationally more compar-



able criteria, the Chinese population may no longer be described as "predominantly rural." Combined with other aspects of post-Mao reform, the recent process of urbanization in China seems to reflect some aspects of the modernization experiences of neighboring, nonsocialist countries.<sup>14</sup> Therefore, in lieu of any general conclusion, it may be meaningful to compare the essential problems and implications of urbanization in neighboring countries and derive a more critical prospect for China's future urbanization.

First, the symptoms of overurbanization can emerge even under rapid industrialization and urban infrastructure development if *leading industrial sectors* (see Hirschman, 1958) actually have a very limited capacity for labor absorption and thus fail to integrate economically the majority of the urban population. Workers in large corporate sectors and state offices and informal sector workers in massive squatter settlements in many Asian countries maintain their livelihoods in fundamentally different economic orbits. In addition, workers in state enterprises and large collectives and migrant laborers and peddlers in post-Mao China each have a distinct basic mode of livelihood. *Economic dualism within the urban economy* tends to complicate any objective measure of overurbanization because structurally disjointed spheres of social and economic life coexist in the same urban area. The experience of many Latin American countries have revealed that economic informalization usually occurs not because of any inherently informal (or even inferior and illicit) nature of the concerned economic activities but because of an inherent sectoral bias in government economic coordination and resource allocation (Portes, Castells, and Benton, 1989). The recent Chinese experience in urban economic reform clearly indicates a similar development.

While the problems of urban state industries are clearly recognized, it does not imply that the Chinese government reduce its industrial sectoral priority in economic development. Economic resources continue to be monopolized for (former) state industries, now to supposedly "reform" them rather than just "develop" them as in the past. In this context, new entrants in the urban labor force such as temporary contract workers, personal service workers and peddlers — many of them peasant migrants — are rarely considered an integral element of the reformed urban economy. They operate in the urban economy, but outside the bureaucratic complex of state enterprises. In so far as there are viable economic opportunities for them, they may not necessarily contribute to overurbanizing Chinese cities in terms of employment. Chinese authorities classify them as the so-called floating population. The authorities are reluctant to formally recognize them as a part of the legitimate urban population entitled to basic amenities and stable income opportunities. This is simply an unavoidable situation for the Chinese government under its mount-

ing problem of budget deficit (Putterman, 1992). The dilemma is that even if the state should provide amenities and jobs for them, this would only induce still more rural-to-urban migration and cause further overurbanization.

Second, the pressure for rural-to-urban migration can sometimes continue to build even after the exhaustion of productive urban employment and alleviation of rural labor surplus. Labor movement from overstaffed farms to newly built urban industries is thought to produce desirable consequences for both rural and urban economies. Relieving population pressure alone, however, is not a sufficient measure for long-term rural development. The strategy of Lewisian industrialization at first appeared to relieve the burden of rural overpopulation, especially in the case of Korea, but as a whole imposed huge, unbearable transition costs on the rural population (Chang, 1993c). Rapidly drained from villages were young labor, indigenous capital, land ownership, and even young women. These transition costs combined to pose a grave crisis in the basic structure of the rural economy and community. Ironically, urbanization in Korea was particularly swift in the 1980s when the marginal productivity of labor and per capita earnings were already believed to be higher in rural areas. The total social crisis accelerated young people's rural exodus, and the thereby distorted demographic structure further exacerbated the crisis.<sup>15</sup> In this way, overurbanization and rural decay have been mutually reinforcing. Unless a viable model for long-term rural development other than family-centered petty agricultural production is introduced, this will continue to be the scenario even for China's near future.<sup>16</sup> While Chinese officials and scholars often express their willingness to learn from the South Korean model of rapid economic growth (e.g., Yu, 1993), such an unchecked decomposition of rural communities is the last lesson to be emulated.

Third, cities cannot be externally (i.e. in relation to rural development) generative only by providing low-wage jobs for peasant migrants who otherwise would be redundantly engaged in subsistence farming. Once members of peasant families accept industrial employment, they are already part of the urban economy and the economic surplus from their labor accrues to urban industrialists. Lipton (1977) and other perceptive analysts of Third World development have pointed out that, as the relative importance of rural sectors has gradually declined in terms of employment and output composition in the national economy, less and less attention is paid to the rural economy and peasant society in national politics and macroeconomic management. Instead, the competing interests of owners and/or managers of urban industrial enterprises tend to be preferentially treated. In particular, when active participation in the world market is pursued as has been the case in many Asian

economies, the fate of their (internationally uncompetitive) rural economies can sometimes be sacrificed for the sake of better allocation of production resources and larger international market shares for urban industries. This in fact is what is strongly encouraged and sometimes even coerced by the leaders of Western market economies to newly industrializing countries under the rubric of free trade and fair competition based upon the comparative advantages in production.

Despite the long-held emphasis on agricultural development in China — in particular, self-reliance in grain production — all these are potentially observable possibilities in post-Mao China thanks to liberal economic reform measures. As in other countries, household-level agricultural production does not appear to be a permanent option for rural development no matter how much the land-labor ratios improve as a result of sustained rural outmigration. Under post-Mao reform, the sacred socialist code of grain self-reliance at the national level has been increasingly threatened due to the inefficient managerial practices and wasteful use of resources (Hinton, 1990). The immediate response to this worrisome trend by the urban-biased economic bureaucracy has been to increase imports of agricultural products for urban consumers, not to lay out a new long-term plan for rural development.<sup>17</sup> Whether cooperative, corporate, or other modern types of agricultural production are chosen in the long run is a question which can be meaningfully answered only by referring to some *creative* (i.e. yet to be devised) roles of industrial cities in tightly integrating urban and rural economies.

Finally, most (capitalist) Asian economies have failed to avoid or overcome the problems of urban primacy and regional imbalance in national development. Internal market dynamics, international economic forces, and even governmental economic coordination and intervention all share responsibility for such seemingly undesirable symptoms of urbanization. All these forces for unbalanced urban growth

are increasingly salient in China in the reform period. Many reformist leaders openly point out that coastal metropolises and their vicinities should inevitably take advantage of their superior social, economic, and geographic conditions, especially at the early stages of socialist economic development (e.g., Deng, 1987). Now interior cities and surrounding villages benefit much less from the virtually abandoned Maoist strategy of planned interior industrialization. Since China's population and territory are much larger than those of its neighboring countries, the economic costs and political consequences of interregional disparity in development are potentially much more problematic.

Perhaps this is a policy area in which a highly ingenious combination of planning and market is required. The reformist government should help provincial authorities to analyze their economic positions in the national economy as well as in the entire world economy and thereby induce rational production plans for optimally utilizing local economic resources. In this process, wise planners should not rule out the possibility that comparative advantage can always be determined in a dynamic way — i.e. comparative advantage can be newly created under planned and concentrated investment in certain sectors. This is why interior provinces should develop more than agriculture, mining, or some primitive industries producing low value-added goods. The central government should also monitor what portions of interregional disparity are based upon the market-based interregional division of labor and the market-distorting behavior of regional economic actors. Unless the latter is differentiated from the former so as to implement proper measures against rent-seeking, hoarding and speculation, illegal liquidation of state properties, monopolies, etc., market-oriented reform will not gain any political legitimacy even from liberal-minded regional leaders. As far as nationally integrated development is concerned, marketization is not altogether synonymous with decentralization in macroeconomic decision making.

#### NOTES

1. Both Kirkby (1985) and Goldstein (1985) present comprehensive and readable accounts of the Chinese urbanization experience until the early reform period. The aim of this paper is an additional discussion on the impacts of post-Mao reform in detail.

2. As in other countries, the definition of urban population in China reflects its particular socioeconomic and political circumstances. Moreover, several drastic shifts in the overall economic policies have resulted in changes in the very definition of urban population and in the data compilation system. There are three possible categories of urban population (from larger to smaller categories): total population of municipalities and towns (TPMT); total population of cities and towns

(TPCT); nonagricultural population of cities (NPCT). The difference between TPMT and TPCT is the population of the suburban counties under the municipal jurisdiction (who are mostly peasants); the difference between TPCT and NPCT is the officially agricultural population in cities and towns (who mostly perform nonagricultural activities but do not have the official urban residence status and, hence, are not entitled to the state-rationed grain). Although NPCT has most often been adopted as the official definition of urban population in official population statistics, TPCT is the "*de facto* urban population" comparable to those of most other countries (Chan and Xu, 1985, p. 591). Thus the official statistics based upon census counts and registration records present the very minimum size of the urban population.

In the 1980s, the status of tens of millions of rural-to-urban migrants — most of them officially unregistered or, in a Chinese term, “floating” — seriously complicates the definition of the urban population. Chinese call these migrants the “floating population” perhaps because their occupations are unstable and transitory and their residence is not recorded or monitored in the official registration system. Many unregistered rural-to-urban migrants may intend to stay rather permanently in urban areas if economically as well as administratively possible and thus their rural (peasant) status in official classification is not very meaningful in the actual social and economic spheres.

3. It was stipulated up until 1983 that a city, unless other special criteria were satisfied, needed a population of at least 100,000 people to be qualified as such. Beginning in 1984, a place with a population of at least 60,000 people would be qualified as a city if its annual gross product reached 200 million yuan. It was also stipulated up until 1983 that a town needed a minimum of 3,000 people with 70% being nonagricultural or a minimum of 2,500 people with 85% being nonagricultural. From 1984, a place would be qualified as a town if it had a county government. See Lee (1989), Goldstein (1990), Martin (1992), Ma (1993) for more details on the reclassification of urban places and the concomitant changes in the size and distribution of urban population.

4. See Riskin (1987) for a comprehensive introduction to the backgrounds and contents of Deng’s reform.

5. Overurbanization is often associated with the magnitude and speed of rural-to-urban migration. For instance, according to Gugler (1982, p. 173): “Third World cities have substantial surplus labor in various guises. Their labor force continues nevertheless to increase, swelled not only by natural population growth but also by rural-urban migration that contributes between one-third and one-half of the urban growth in most Third World countries. The process may be labeled ‘overurbanization’ insofar as (1) rural-urban migration leads to a less than optimal allocation of labor between the rural and urban sectors and (2) rural-urban migration increases the cost of providing for a country’s growing population.”

This is a modified conception of overurbanization in awareness of Sovani’s incisive critique of the earlier overurbanization thesis regarding its Western-type modernization bias. On the other hand, our focus on the carrying capacity of cities and towns for the original urban population has a particular relevance for China as well as many other late developing countries (Preston, 1979). As mentioned earlier, the prereform Chinese urban policy had been to minimize urban problems by preventing rural-to-urban migration altogether.

6. The fact that state industrial enterprises also provided food and housing for their employees may have helped reduce urban traffic. The author wishes to thank an anonymous reviewer for bringing this point to my attention.

7. Such structural barriers at the macroeconomic level are emphatically discussed by Blecher (1985, pp. 239–240) who noted, “China appears to have made progress in greater urban-rural balance, but at the same time it had done little if anything to overcome or bridge the structural cleavage between urban and rural at the level of social relations, political organization, or mode of production.” The lack of urban-

rural economic linkages seems to have made the structural cleavage felt much more seriously by the peasant population.

8. It is a hotly debated issue whether and how much post-Mao agricultural development has been due to the rise in agricultural productivity *per se vis-à-vis* politically determined economic concessions such as the upward adjustment of agricultural producer prices and the relaxation of the “grain first” cropping policy. It gradually appears the case that the latter has been more important (Chang, 1992). This issue has a crucial implication for the future course of China’s urbanization. The concessions to peasantry are very costly because they impose a huge financial burden on the deficit-ridden Chinese government and threaten grain self-reliance. Thus there is an obvious limit to implementing such concessions in the long run. Moreover, as Hinton (1990) argues, agricultural decollectivization has directly produced many serious consequences such as inefficient scales of farming, stagnation or even regression in agricultural technological development, and abandoning of scientific and mechanized farming. Ultimately, the rural retention effect of agricultural development concerning population movement may not be sustained very long.

9. See Goldstein, Goldstein and Gu (1991) for a detailed explanation of the peasant participation in rural industrialization with an analytical focus on various forms of rural-to-urban migration.

10. The author is grateful to another anonymous reviewer for correctly pointing out that military-strategic considerations were taken seriously in development and urbanization.

11. Coastal areas include Liaoning, Tianjin, Beijing, Hebei, Shandong, Jiangsu, Shanghai, Anhui, Zhejiang, Fujian, Guangdong, and Guangxi. The remaining areas are inland.

12. It should also be noted that the interwoven political and bureaucratic interests of central and provincial authorities somewhat help slow down this tendency (Shirk, 1985).

13. For instance, some rich provincial/municipal governments, including the richest ones of Guangdong and Shanghai, demanded successfully that they send fixed amounts of revenues to the central government. They used to send all revenues to the central government and receive a certain proportion or amount back. This change naturally reduces the capacity for the centrally directed interregional redistribution of financial resources.

14. Both in post-Mao China and in many neighboring countries, a highly adverse man-land ratio has resulted in a sustained flow of rural-to-urban migration under what might be called Lewisian industrialization; emigration from rural areas has not been responsible for any major structural change in the family-based farming system; state intervention causes a structural duality under which the consequences of industrialization and economic development do not necessarily spread to all urban residents and under which grassroots economic enclaves (such as informal tertiary sectors) continue to play a critical role in labor absorption; growing economic dependence on foreign markets, foreign technology, and foreign capital has inevitably led to a regionally unbalanced pattern of urban as well as industrial growth and has thus ramified a backwash effect on interior regions

and agrarian sectors. In spite of the contrasting political ideologies and many different demographic and geographic situations of China and her neighboring societies, these common conditions encourage an analytic comparison of their urbanization processes, in particular to derive some constructive insights on the future course of China's urbanization.

15. This demographic distortion has occurred at both the community and family levels. In most farming communities in contemporary South Korea, the shortage of labor — in particular that of young labor — is chronic and many agrarian production activities have been threatened and abandoned. At the level of individual households, the absence of young family members makes it difficult to maintain the normal family-centered mode of social and economic life, so the households of left-behind elderly couples and singles are undergoing a grave life crisis without much hope for material and emotional protection (Chang, 1993c).

16. In the Chinese experience, this rural "brain drain" is not limited to the reform period. Although the strict control of rural-to-urban migration in the prereform period prevented such damaging outflows of able rural manpower as are observed in other countries, there were some occasions in which the state mobilized rural emigrants rather consciously (Riskin, 1987). The First Five-Year Plan was of course an orchestrated effort at maximum mobilization of human and

material resources available in villages and cities for the urban-based project of industrialization. Even the Great Leap Forward, despite its slogan of self-reliant rural development, led to a situation where the abrupt mobilization of agricultural manpower as well as production resources for rural heavy industrialization in local urban centers crucially damaged agricultural production.

17. As China increases her industrial production capacity and opts to participate in the world economy as a competitive industrial power, the Chinese high leadership has to take into serious account the current dilemma of neighboring East Asian industrialized countries amid the Uruguay Round negotiation. These countries currently face a mounting pressure from Western, especially US, governments concerning the opening-up of their domestic grain markets in return for freer access to Western markets for manufactured goods (Chang, 1993c). Just like China, these countries have a crucial political reason to protect their grain markets — i.e. the sheer existence of their peasant communities and rural economies may be threatened without market protection or heavy state subsidies for grain production. The Chinese government has openly expressed its wish to join the GATT system as early as possible. Although China has been able to constantly improve agricultural productivity, its grain market, once opened up, would become highly vulnerable to the lower priced grains from other agricultural exporters.

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