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Folder Title: Project Management Records - Impact of Market - Oriented Policy Reforms on Households in Rural China - RPO # 677-16 - Correspondence

Folder ID: 1674602

Dates: 01/01/1991 – 12/31/1997

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Series: Research Project Files Maintained by the Research Administrator

Sub-Fonds: Records of the Office of the Vice President, Development Economics and Chief Economist and later Senior Vice President, Development Economics and Chief Economist (DECVP)

Fonds: Records of the Office of the Chief Economist

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Washington, D.C.

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Impact of Market-Oriented Policy 677-16
Reforms on Households in Rural

The World Bank Group
Archives



1674602

R2001-141 Other #: 1

163977B

Project Management Records - Impact of Market - Oriented Policy Reforms on
Households in Rural China - RPO # 677-16 - Correspondence

**DECLASSIFIED
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WBG Archives

Correspondence

Completion

OFFICE MEMORANDUM

DATE: February 4, 1992

TO: Paul Glewwe, PHRWH

FROM: Gregory K. Ingram, Administrator, Research Advisory Staff

EXTENSION: 31052

SUBJECT: Research proposal: "Impact of Market-Oriented Policy Reforms on Households in Rural China"

A subcommittee of the Research Committee has recommended approval of the above proposal at the full \$59,175 budget requested, subject to the relatively minor conditions outlined below. I am pleased to inform you that I have accepted their recommendation.

This approval is predicated on the ancillary contribution by PHR of 8 staffweeks of a staff economist and 6 weeks of a research assistant over the three fiscal years of the project, and of the necessary resources and communication to maintain access to the resulting data base.

The subcommittee has asked that the data collected be sufficiently specific to allow individual farm household models to be fitted. This will require collection of data on, inter alia, expenditures of cash and time (by labor category) for each task, by crop, and on wage and price changes over the year.

Please note that you will be allowed to vary the initial FY92 allocation by only 10 percent hereafter: you may defer use of up to 10 percent of the FY92 budget which you now set for use in FY93, or draw into FY92 from the FY93 authorization an amount up to 10 percent of the FY92 allocation. Any such changes in the budget must be made by the March 13th deadline.

Since FY91, RPOs have been treated in the same manner as other World Bank accounts. Funds not committed and disbursed by the fiscal year deadlines will be lost to both your project and to the Research Support Budget. Thus I would ask you to carefully review the current status and timetable of the work program, reconfirm consultant fees, travel and equipment prices and data costs, calculate the corresponding budget and make adjustments to the fiscal year allocations. As your total RSB funding is limited to \$59,175, you may need to plan to marginally reallocate commitments and expenditures from the RSB account to divisional accounts.

If you have any questions about the RSB budget process that cannot be answered by your department's budget officer, please contact Vilma Mataac, the Budget Officer in charge of the Research Support Budget, at extension 3-1030.

OFFICE MEMORANDUM

The following account and financial authorizations are issued for your project:

		DATE
i)	Identification code (RPO #)	677-16
ii)	FY92 authorization	\$ 7,595
iii)	FY93 authorization	\$34,080
iv)	FY94 authorization	\$17,500
v)	Total authorization	\$59,175

Expenses related to the project may be charged to the above account number up to the total amount authorized. Please use the account number as an identification code in all documents relating to the project.

Given that the project is expected to be completed on April 30, 1994, that will be the last date to make financial commitments against the account. The account will remain open for four months after the completion date to allow for disbursements against outstanding commitments.

You are required to file a completion report on the project no later than four months after its closing date; forms for this purpose may be obtained from this office.

- cc: A. Hamilton, PHRDR; E. Jimenez, PHRWH
- S. Shah, C. Else, E. Thomas, V. Mataac, J. Kipnis, RAD;
- M. Bellinger, ORGHD; R. Salandy-DeFour, ACTAS; C. Ramirez, ACTAB;
- Research Committee members

Since FY91, RPOs have been listed in the same manner as other RPOs in Bank accounts. Funds not committed and disbursed by the fiscal year deadline will be lost to your project and to the Research Support Budget. This would ask you to carefully review the current budget and timeline of the work program, re-evaluate commitments less than 60 days before the fiscal year deadline, and make adjustments to the fiscal year budget. As your total funding is limited to \$59,175, you may need to plan to re-evaluate commitments and expenditures from the RSB account to disburse accounts.

If you have any questions about the RSB budget process that cannot be answered by your department's budget officer, please contact the Budget Office in charge of the Research Support Budget at extension 1-2310.



Record Removal Notice



File Title Project Management Records - Impact of Market - Oriented Policy Reforms on Households in Rural China - RPO # 677-16 - Correspondence		Barcode No. 1674602		
Document Date February 6, 1992	Document Type Form			
Correspondents / Participants To: Management Information Division, CTR From: Clara Else, RAD				
Subject / Title The World Bank/IFC Budget Transfer Request				
Exception(s) Personal Information				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date April 19, 2017</td></tr></table>	Withdrawn by Shiri Alon	Date April 19, 2017
Withdrawn by Shiri Alon	Date April 19, 2017			

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: March 1, 1993 09:18am EST

TO: Gregory Ingram (GREGORY INGRAM)

FROM: Paul Glewwe, PRDPH (PAUL GLEWWE)

EXT.: 31102

SUBJECT: Budget Reallocation - RPO 677-16

As per the rules for reallocating RPO budgets, I would like to move 10% of the FY93 funds for RPO 677-16 ("Impact of Market-Oriented Policy Reforms on Households in Rural China") to FY94. This involves \$3400 (i.e. 10% of \$34,080).

The main reason for this is that we have had difficulty in dealing with our Chinese collaborators on data collection, which has delayed data collection. This delay will (hopefully) be resolved by mid-April. Sorry for the inconvenience, since I know that you would rather have the money spent this fiscal year.

CC: Emmanuel Jimenez (EMMANUEL JIMENEZ)
CC: Institutional ISC Files (INSTITUTIONAL ISC FILES)

Budget

A L L - I N - 1 N O T E

DATE: 22-Sep-1997 11:58am

TO: Anupa Bhaumik

(ANUPA BHAUMIK)

TO: Edith Thomas

(EDITH THOMAS)

FROM: Clara Else, DECRA

(CLARA ELSE)

EXT.: 31049

SUBJECT: Could you please check to see if any material has been received
(i.e. PCR or output) on Glewwe's RPO 677-16? Thanks

FILE COPY

RECEIVED

APR 23 1997

RESEARCH ADVISORY STAFF

OFFICE MEMORANDUM

DATE: April 23, 1997

TO: Gregory K. Ingram, Administrator, RAD

FROM: Paul Glewwe, PRDPH

EXTENSION: 31102

SUBJECT: **Extension of due date for Project Completion Report on RPO 677-16**

In response to your memo to me dated March 7, 1997, I have looked at my work program and discussed this issue with Manny Jimenez. My collaborators are already working on two papers using these data, one of which will be presented in our department in June and the other at a later date some time in the summer. I propose to hire a research assistant who will work on these data with me beginning in July or August of 1997. We will be able to complete one or two more papers by the end of calendar 1997. I will devote 6-8 staff weeks to this project from July to December, 1997. The cost for hiring the research assistant will be about \$17,000, which I am putting together from a variety of sources.

To do this I will need to get an extension of the due date for the PCR to December, 1997. This is two months later than the previous request but it is much more realistic. Believe me, I am as anxious to get this wrapped up as you are.

If you have any questions or comments please let me know. I apologize for the continuing delays, and I will not let this slip any further.

cc: Emmanuel Jimenez (PRDPH); Edith Thomas, Clara Else (RAD)

FILE COPY

A L L - I N - 1 N O T E

DATE: 04-Apr-1997 11:46am

TO: Gregory Ingram

(GREGORY INGRAM)

FROM: Paul Glewwe, PRDPH

(PAUL GLEWWE)

EXT.: 31102

SUBJECT: Extension date for Project Completion Report - RPO 677-16

Greg,

Sorry I haven't replied to your memo to me dated March 7, 1997. Manny was out of town until the middle of March, and when he came back I was in Turkey. We discussed it a little this week and should have a definite answer next week.

Paul.

CC: Emmanuel Jimenez

(EMMANUEL JIMENEZ)

CC: Clara Else

(CLARA ELSE)

CC: Edith Thomas

(EDITH THOMAS)

MAR 7 1997

3/7/97

Greg:

Paul Glewwe sent an e.m. to Anupa requesting an extension of the PCR due date for an RPO

- opened in February 1992,
- with a completion date of April 1994;
- supplemented with an additional \$32,840 in December 1993,
- and given an extension to December '95.

He has had prolonged problems with the Chinese sources of his data, and we can't get blood from a stone, but I don't think we should let it go with a para. I would like to send something like the following to him (it's M:\Clara\Glewwe.not).

FILE COPY

THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

DATE: March 7, 1997

TO: Paul Glewwe, PRDPH

FROM: Gregory K. Ingram, Administrator, RAD

EXTENSION: 3-1052

SUBJECT: **Extension of due date for Project Completion Report, "The Impact of Market-Oriented Policy Reforms in Rural China," RPO 677-16**

You have requested a postponement of the submission deadline for the Project Completion Report (PCR) on the above research project. I note that the project was originally approved in February of 1992 and scheduled to be completed on April 30, 1994, but due to problems in delivery of the data, the completion date was extended to June 30, 1995 and an additional \$32,840 in RSB funds were provided. These adjustments were made with the understanding that they would be sufficient to account for the problems you had confronted to date.

In your response to a November 1996 request for a PCR on the account, you requested an extension of the due date to October 1997. This represents a nearly three-year delay from the original PCR due date.

Although I have considerable sympathy for the management difficulties you have faced, it is not apparent that the work has received the priority that would be necessary for it to proceed at a pace sufficient to compensate for past problems. Thus I would ask that you discuss with Manny Jimenez some rescheduling of your work load over the next several months in order to ensure that this work will be completed in the near future. Could you then please provide us with the outline of a work program and an assignment of resources to the project, on the basis of which I would be pleased to approve an extension of the project completion due date.

Please do feel free to contact me should you have any questions in this regard.

cc: E. Jimenez, PRDPH; C. Else, E. Thomas, RAD

677-16

A L L - I N - 1 N O T E

DATE: 26-Nov-1996 01:49pm EST

TO: Anupa Bhaumik (ANUPA BHAUMIK)

FROM: Paul Glewwe, PRDPH (PAUL GLEWWE)

EXT.: 31102

SUBJECT: Overdue research reports

Yesterday I received notices on overdue completion reports for three research projects. Of these, I will complete one and send it right away (RPO 678-83). However, on another one I am not sure it makes sense to submit a completion report, and on a third the completion report cannot be done because the project has been significantly delayed. Let me explain in more detail.

RPO 679-15 was "seed money" for a much larger research proposal, RPO 679-57. The money from RPO 679-15 was used to pay for some travel to the Philippines and some initial data collection, but the main data collection is part of RPO 679-57.

RPO 677-16 is built on data collection done in China in the summer of 1995. Data collection was over 2 years late, due to conflicts with the original counterpart agency in China (which were resolved only by switching to a different counterpart agency). The data were cleaned in the fall of 1995 and winter of 1996, which is longer than usual because of a technical oversight in our data entry program. The data have been available to work on only since the late spring of 1996. I would like to extend the closing date of this project to October, 1997.

Let me know if you would like any further information.

Paul Glewwe.

CC: Clara Else (CLARA ELSE)
CC: Edith Thomas (EDITH THOMAS)

OFFICE MEMORANDUM

DATE: December 14, 1993

TO: Paul Glewwe, PRDPH

FROM: Shahid Yusuf, Acting Administrator, Research Advisory Staff

EXTENSION: 82339

SUBJECT: Request for supplementary funding, "The Impact of Market-Oriented Policy Reforms in Rural China," RPO 676-16

In response to your memoranda providing the information requested in my September 9 memorandum, I am pleased to authorize the additional allocation of \$32,840 to the above project account. I have also approved your request for an extension of the project completion date from April 30, 1994 to June 30, 1995. Please note that the Bank standard fiscal year deadlines will apply and the account will close after the Bank's accrual period. The project completion report will be due in this office on December 31, 1995.

This approval is predicated on the contribution by the International Development Research Centre of the additional funding indicated in his October 4 memorandum, and by PRD of the additional stafftime that continuing to oversee this work will require.

The following additional financial authorizations are issued for the pre-existing project account:

i) Identification code (RPO#)	677-16
ii) FY94 authorization	\$12,840
iii) FY95 authorization	\$20,000
iv) Total authorization	\$32,840

If you should have any questions with regard to this decision, please feel free to call me.

cc: L. Squire, PRDDR; E. Jimenez, PRDPH
M.T. Dose, ACTPR; M. Bellinger, ORGHD; R. Salandy-deFour, ACTAS;
C. Ramirez, ACTAB;
C. Else, B. Pleskovic, V. Mataac, E. Thomas, RAD
Research Committee members

FILE

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: November 16, 1993 09:43am

TO: See Distribution Below

FROM: Paul Glewwe, PRDPH (PAUL GLEWWE)

EXT.: 31102

SUBJECT: Change in Request for Additional Funds for RPO 677-16

In early October, I submitted a request for additional funds for the research project entitled "Impact of Market-Oriented Policy Reforms on Households in Rural China (677-16). It has just come to my attention that there is an error in that request. Specifically, due to a misunderstanding in our division, the amount of funds remaining for FY94 from the original project is \$15,760, not \$20,600 as stated in the Attachment 5 to my memo in early October. Thus, I am afraid that I must request an additional \$4840 to make up this difference, so that I would like to request \$32,840, not \$28,000. Please allocate all of this additional money to FY94. I deeply regret this error. My only excuse is that this year all our support staff changed, including our administrative secretary, and our new staff are still in the process of learning how to handle money from research grants. If you have any questions or would like a more detailed explanation, please contact me at your convenience. Thanks very much.

DISTRIBUTION:

TO: Shahid Yusuf	(SHAHID YUSUF)
TO: Shahid Yusuf	(SHAHID YUSUF)
TO: Shahid Yusuf	(SHAHID YUSUF)
CC: Clara Else	(CLARA ELSE)
CC: Edith Thomas	(EDITH THOMAS)
CC: Emmanuel Jimenez	(EMMANUEL JIMENEZ)
CC: Institutional ISC Files	(INSTITUTIONAL ISC FILES)

10/27 Substance looks fine, but avail. RPO \$ is wrong. VM doesn't know basis, but they overcharged by ~45K in FY93 that's deducted from FY94. Recommended checking budget and talking w/ VM. Will wait for his revised request.

10/27 ~~1258~~
1

11/20 8PM

11/21 8AM

92	- 7,595	7.713	<u>7.71326</u>	
93	- 34,080	30.454	41,892.40 (7/12/93)	<u>35.7</u> (10/22/93)
94	- 17,500		<u>15.762</u>	5.2 over FY93
<hr/>				
	59,175			

avg 92 avg 93

FY92 - 7,595
+ 0.118

7.713

FY93 34,080
- 0.118

33.962

FY94 17,500

FY93 → 33.962
- 3.3962

30.566

- 0.1118

30.454
FY94 → 17.5
+ 3.3962
+ 0.0838

20.98

≈ over-accrual over payment out of accruals

OFFICE MEMORANDUM

RECEIVED

OCT 07 1993

RESEARCH ADVISORY STAFF

DATE: October 6, 1993

TO: Shahid Yusuf, RAD

FROM: Paul Glewwe, PRDPH

EXTENSION: 31102

SUBJECT: Request for Addition Funds for RPO 677-16

I am writing to follow up on your response, dated September 9, 1993, to my request for supplementary funding for my research project entitled "The Impact of Market-Oriented Policy Reforms in Rural China" (RPO 677-16). In particular, you requested more information on a variety of points. In this memo, and its attachments, are the information you requested. I addressed them in the same order that they appear in the third paragraph of your memo. If you have any further questions, please do not hesitate to ask.

1. Mr. Du Ying, the Deputy Director of the Research Centre for Rural Economy (RCRE) has selected Mr. Bai Nan-sheng, also of RCRE, to be our main counterpart. Thus I have included a translation of Mr. Bai's resume (Attachment 1), as well further information on his experience in household surveys that was provided by RCRE (Attachment 2). If you still would like to see Du Ying's resume, please let me know.

2. RCRE has a professional staff of 180, divided into several divisions, as shown in the attached brochure (Attachment 3). It is already working with World Bank funds, being authorized by the State Council to use those funds to do research on experimental areas and reform pilot projects (see brochure). Its fourth division specializes in sample survey work. RCRE is specifically authorized to undertake collaborative work with foreign researchers and institutions.

3. In Attachment 4 I provide detailed information about how the addition funds (\$28,000 from the Bank and 70,000 Canadian dollars from IDRC) will be used (note that 70,000 Canadian dollars is equivalent to about 54,000 U.S. dollars - I apologize for not clarifying this in my previous memo). Attachment 5 provides a summary of the use of RSB funds to date, including how much remains to add to the \$98,000 of new money. Finally, Attachment 6 contains a fax from Randy Spence at IDRC confirming their commitment to providing an additional 70,000 Canadian dollars for the project (cf. paragraph 2 of the fax).

4. An updated work program is found in Attachment 7.

Finally, of the additional \$28,000 I am requesting from RSB, I would like \$8,000 to be allocated to FY94 and \$20,000 to be allocated to FY95. The project should be completed by June 30, 1995.

cc: Emmanuel Jimenez (PRDPH)



Record Removal Notice



File Title Project Management Records - Impact of Market - Oriented Policy Reforms on Households in Rural China - RPO # 677-16 - Correspondence		Barcode No. 1674602		
Document Date N/A	Document Type CV / Resumé			
Correspondents / Participants Bai Nansheng				
Subject / Title Resume				
Exception(s) Personal Information				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date April 19, 2017</td></tr></table>	Withdrawn by Shiri Alon	Date April 19, 2017
Withdrawn by Shiri Alon	Date April 19, 2017			

RESEARCH CENTRE FOR RURAL ECONOMY
IN CHINA

The Research Centre for Rural Economy was established in July, 1990. It is an institution under the Ministry of Agriculture devoted to rural economic research. Its principal task is to provide consultation for the formulation of government rural economic policies, rural development strategies and further measures of rural economic reform.

The centre now has a faculty of 180, who are mainly from the former Research Centre for Rural Development of the State Council (RCRD).

The centre functions in the same way as the ex-RCRD. Its work covers the following:

— Studying economic development and effects of the policy implementation in rural China, making policy recommendations to the central government;

— Responsible for the National Survey Network of Rural Society and Economy and other information monitoring work. This is a nationwide network set up by the ex-RCRD in 1984, consisting of 300 villages and 24,000 individual farm households in different parts of the country. It provides over 1,000 items that include economic activities, enterprise operations and economically-integrated groups in communities.

Under this system each province (municipality, autonomous region) has a branch participating in an annual comprehensive survey;

— The centre is now authorized to take charge of the Executive Office for Rural Reform Experiment Areas. The rural reform experiment system was ap-

proved by the State Council in 1987, organized and supervised by the ex-RCRD. Now there are 21 prefectures or counties with a total population of approximate 60 millions under the direct guidance and control of the Executive Office for Rural Reform Experiment Areas. The pilot projects include pricing system, land reform, enterprise structure, cooperative organizations, financial system and export-oriented agriculture, etc.;

— Sponsoring organizations or individuals concerned to carry out special researches on rural and agricultural issues;

— Studying the rural and agricultural economies of other countries and collaborating with foreign counterparts.

农业部

农村经济研究中心

R C R E

Attachment 3

Add. No. 9 Xihuangchenggen Nanjie

Beijing 100032, China

Tel. General Office 6022732

Liaison Division 6021831

Division of International Cooperation 6020563

FAX NO. 6020563

Beijing, China

Research Centre for Rural Economy, Ministry of Agriculture

农业部 农村经济研究中心 RCRE

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农村改革试验办
Office for Rural
Reform Experiment

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农村改革试验区办公室:负责协调指
导在国务院备案的 21 个农村改革试验区
的具体工作。负责制定世界银行向中国提
供农村部门调整贷款(政策性贷款)用于试
验区部分的使用原则。

The Executive Office for Rural Reform Experiment
Areas; 21 rural economic experimental areas spread-
ing over the country are under it; The State Council
authorizes it to grant policy-oriented loans from the
World Bank to the experimental areas and to conduct
the reform pilot projects there.

一组(农村经济与社会制度研究室):研究
农村土地、合作经济、乡镇企业的制度建设和运
行机制,以及农村社区综合发展等问题。

1st Division (Rural Socio-Economic System Research
Group); its research areas: a. land tenure; b. coop-
erative economics; c. institutional construction of
township and village enterprises in rural China.

二组(技术经济研究室):侧重农村技术经
济、区域发展、系统研究,包括农业科技政策与
推广体制、产业结构与产业政策、农业技术与经
济发展、区域发展规划及农业开发战略、扶贫战
略等研究内容。

2nd Division (Research Group of Technical
Economics); its major areas: a. technical economi
b. regional development i. e. agricultural technical poli-
cy and extension system, agricultural strategy and
poverty-alleviation, etc..

三组(农村发展与国民经济关系研究室):
负责农村流通体制与金融、投资体制,以及城乡
资源、生产要素与收入的分配、消费等有关国民
经济的调查、动态跟踪、政策分析和理论研究。

3rd Division (Research Group of Macroeconomics);
The theoretical studies; a. supplying and marketing;
b. financial and investment system; c. resources in
both rural and urban areas; d. production factors; e.
income distribution and consumption structures.

四组(调查统计室):负责农村固定观察点
调查系统和农村信息点的动态监测工作,通过
现代化手段进行综合分析、研究,描述现状与发
展趋势并提出对策建议。

4th Division (Sample Survey-Conducting, Data Pro-
cessing and Statistical Analysing Group); Responsible
for the Nationwide Survey Network of Rural Society
and Economy and information monitoring work.

国际合作处:研究国外农业和农村经济发
展的动态和经验,研究农产品的国际贸易,对各
国政府的农业政策和农村经济体制进行比较研
究。建立广泛的交流渠道,开展国际合作研究,
负责办理国际交流中的具体事务。

5th Division (of International Cooperation); Work-
areas: a. study of international trade of agricul-
tural products; b. of other governments' agricul-
tural policies and economic systems; c. collaborating and ex-
change with foreign counterparts.

编刊室:为农研中心提供经常性的成果输
出渠道,负责编辑《动态反馈》和《农村经济研究
参考》两个内部刊物,并筹备出版公开刊物。

6th Division (of Editing): To disseminate outcomes of
RCRE; 2 publications; 1. the Latest Information in
Rural China, 2. Rural Economic Reference; Now one
more publication is underway.

联络室:负责编制年度委托研究课题指南,
广泛联系和组织社会上的研究力量,为承担农
研中心委托研究课题的单位和个人提供资助,
对研究成果进行鉴定和组织评奖。

7th Division (of Liaison): To organize research forces
in the society to work for RCRE by sponsoring institu-
tions or individuals; To review and appraise and award
prizes for their work.

Budget Summary

1. Total budget for costs to be incurred in China by the Chinese-side:	\$Cdn 100,000 (\$US 80,000)
IDRC Contribution	\$Cdn 70,000 (\$US 56,000)
From World Bank	\$Cdn 30,000 (\$US24,000)
2. Costs of North American team for Pretesting (airfare plus local costs)	
From World Bank	\$US 10,200
3. Costs of North American team for Training & Survey Implementation (airfare plus loca costs)	
From National Science Foundation	\$US 14,335
From World Bank	\$US 4,400
4. Costs of Chinese team to visit North American for one month	
From National Science Foundation	\$US 10,000
From World Bank	\$US 5,000
5. Costs of data-base construction and research assistants	
From World Bank	\$ US 5,000
 Total From World Bank	 \$US 48,600
Of which : New Funds	\$US 28,000
Previous Funds	\$US 20,600

Revised Budget for RCRE
(in RMB)

		1993	1994	1995	Total
Survey Preparation					
1. Pretesting	Includes travel, room & board, labor costs for 5 people, not to exceed 30 days	25,000			25,000
2. Revision of Questionnaire	Includes travel, room & board, labor costs, etc.	17,400			17,400
3. Printing of Questionnaire	Village (100 copies); Household (1650 copies)		18,000		18,000
4. Revising surveyors's Handbook		5,000			5,000
5. Printing Surveyor's Handbook		4,000			4,000
Survey Implementation: 1080 households: 6 x 100 plus 24 x 20					
1. Compensation for Village Accountants	20 yuan/day*15 days x 30		9,000		9,000
2. Village Coordinators in Base villages	20 yuan/day x 25 days x 3 per village x 6		9,000		9,000
3. Village Coordinators in Outlying villages	20 yuan/day x 20 days x 1 per village x 24		9,600		9,600
4. Compensation for Households	10 yuan/day x 2 days x 1080 households		21,600		21,600

		1993	1994	1995	Total
5. Surveyor costs	55 days/person x 16 people/ team x 3 teams (2640 days)				
Board & lodging	25 yuan/day x 50 days x 48 surveyors		66,000		66,000
Wages	20 yuan/day x 50 days x 48 surveyors		48,000		48,000
Transportation	200 yuan/surveyor x 48		9,600		9,600
6. Data entry personnel	55 days/person x 4 people/ team x 3 teams (660 days)				
Board & lodging	25 yuan/day x 55 days x 12 date-entry personnel		16,500		16,500
Wages	50 yuan/day x 55 days x 12 data-entry personnel		33,000		33,000
Transportation	200 yuan/surveyor x 12		2,400		2,400
7. Supervisors	55 days/person x 4 people/ team x 3 teams (660 days)				
Board & lodging	25 yuan/day x 55 days x 12 date-entry personnel		16,500		16,500
Wages	50 yuan/day x 55 days x 12 data-entry personnel		33,000		33,000
Transportation	200 yuan/surveyor x 12		2,400		2,400
8. Local Transportation for North American team	50 yuan/day x 45 days x 5		11,250		11,250
9. Reserve Fund			12,000		12,000

		1993	1994	1995	Total
Training Expenses					
1. In Beijing	12 supervisors plus 12 data-entry personnel				
Board	15 yuan/day x 15 days x 24		5,400		5,400
Wage subsidies	25 yuan/day x 15 days x 24		9,000		9,000
Transportation	50 yuan/person x 24		1,200		1,200
2. On-site	48 surveyors plus 6 organizers				
Board	25 yuan/day x 15 days x 54		20,250		20,250
Wage subsidies	15 yuan/day x 15 days x 54		12,150		12,150
Transportation	30 yuan/person x 54		1,620		1,620
Researcher Expenses					
1. Research/Workshops	Includes on-site expenses, board & lodging, transportation, etc.	4,000	6,000	4,000	14,000
2. Outside consultants		5,000	10,000	5,000	20,000
3. Collection of historical materials		5,000	5,000		10,000
4. Data base development and management			3,000	4,000	7,000

	1993	1994	1995	Total
Office Expenses				
1. Telephone/fax/postage	4,000	6,000	3,000	13,000
2. Printing/xeroxing	3,000	7,000	3,000	13,000
3. Supplies	3,000	6,000	3,000	12,000
4. Secretarial	5,000	5,500	5,500	16,000
Direct Expenditures: Total	80,400	415,970	27,500	523,870
Indirect Expenditures (12%)	9,648	49,916	3,300	62,864
Total in RMB	90,048	465,886	30,800	586,734
Total in Canadian \$	13,674	70,748	4,677	89,100
Other Expenditures in Canadian \$				
Equipment (computer equipment, printers, software)		10,900		10,900
Total				100,000



Record Removal Notice



File Title Project Management Records - Impact of Market - Oriented Policy Reforms on Households in Rural China - RPO # 677-16 - Correspondence		Barcode No. 1674602		
Document Date N/A	Document Type Budget			
Correspondents / Participants N/A				
Subject / Title Attachment 5: Use of Original RSB Funds				
Exception(s) Personal Information				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date April 19, 2017</td></tr></table>	Withdrawn by Shiri Alon	Date April 19, 2017
Withdrawn by Shiri Alon	Date April 19, 2017			

**IDRC
CRDI**

C A N A D A

Attachment 6

**International Development Research Centre
Centre de recherches pour le développement international**Regional Office for Southeast and East Asia/Bureau Regional pour l'Asie du Sud-Est et de l'Est
Tanglin P O Box 101, Singapore 9124/7th Storey, FELC Building, 30, Orange Grove Road, Singapore 1025.
Tel: 2351344 Cable: IDRECENTRE Telex: SINIDRC RS 21076 FAX: 2351849**FACSIMILE TRANSMISSION**

To:	Paul Glewwe	Fax No.:	202-477 0174
From:	Randy Spence <i>Randy</i>	Date:	4 October 1993
Our Ref:		Your Ref:	
Subject:	91-0284	Pages:	1

Dear Paul

Following my recent trip to Beijing, I believe it may be possible for the Rural Economic Survey project with Loren Brandt and the Research Centre for Rural Economy to start in the near future.

I previously made a commitment to provide \$70,000 (Canadian), and this commitment stands. I believe I can add 10% for overhead, if the project is administered by the Department of Economics, University of Toronto.

As I understand, there are still details to work out and approvals of the proposal to be got from the Ministry of Agriculture, SSTC and IDRC. I do not anticipate any approval problem here, as the project is very familiar.

If all else goes well, I hope work can begin by the start of 1994. I would be grateful if you would also send a note, when time permits, indicating your support for the project.

Best wishes.

cc : Prof Loren Brandt (416-978 6713)

WRS/et

Attachment 7

Tentative Timetable

- I. Feb.-March, 1994 --- Pretesting and revisions to household and village-level questionnaires, including 4-6 week visit by North American team to China; investigation into historical materials in county archives and in villages
- II. April-May, 1994 --- Revising data-base program used for data entry, making local preparations for implementation of survey, printing of questionnaires and manuals
- III. June, 1994 --- Training of surveyors and data-entry personnel
- IV. July-Aug., 1994 --- Implementation of household and village-level questionnaires; collection of historical materials
- V. Sept.-Nov., 1994 --- Development of household and village-level data bases; Loren Brandt will assume responsibility for this work, which will be carried out in Toronto
- VI. Dec. 1994 --- RCRE will be provided with a copy of the data base.
- VII. Jan-Feb. 1995 --- RCRE personnel will visit Toronto for purposes of collaborative research
- VIII. March-June --- Preparation of reports for the project

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: September 16, 1993 11:47am EST

TO: Shahid Yusuf (SHAHID YUSUF)

FROM: Paul Glewwe, PRDPH (PAUL GLEWWE)

EXT.: 31102

SUBJECT: Request for supplementary funding for RPO 677-16

Thank you for your response to me dated September 9, 1993, on this matter. I will prepare all the materials that you are requesting in the next week or two.

CC: Emmanuel Jimenez (EMMANUEL JIMENEZ)
CC: Institutional ISC Files (INSTITUTIONAL ISC FILES)

OFFICE MEMORANDUM

DATE: September 9, 1993

TO: Paul Glewwe, PRDPH

FROM: Shahid Yusuf, Acting Administrator, Research Advisory Staff

EXTENSION: 82339

SUBJECT: Request for supplementary funding, "The Impact of Market-Oriented Policy Reforms in Rural China," RPO 677-16

I am writing with regard to your request for additional funding from the Research Support Budget for the above project. The Research Committee provides supplementary funds to research projects already supported by RSB monies, however, only in exceptional circumstances.

I am familiar with the administrative events and management actions which led to the problems you describe, and understand the difficulty in conducting research under these circumstances. It is unlikely that any amount of redirection or negotiation could have produced a satisfactory outcome and I believe that your decision to end collaboration with the Chinese Land Tenure Institute was necessary.

The means you are proposing to deal with these changes appears satisfactory, and I expect that an extension and supplementary funding are appropriate. Given the past problems in management of the field work, we would need some evidence that your new associate will be willing and able to carry out that work, and that the new work program and budget is frugal but adequate. To ascertain this, I will need some information, as outlined below:

- 1) A curriculum vitae, or other professional summary for Mr. Du Ying, focusing in particular on his experience and training in managing, training interviewers, and conducting rural household surveys;
- 2) some information on the Research Centre on Rural Economy, including its current mandate, staff, work program, financial status, and any governmental support and restrictions;
- 3) details on your proposed use of the \$98,000 budgetary increase, and a summary of the use of the RSB funds to date; and
- 4) an updated work program that outlines the tasks remaining and a schedule for their completion.

Any approval would require confirmation by the IDRC of the additional \$70,000 contribution indicated in the proposal, and by PRD of the additional stafftime required and of the necessary resources to maintain Bank access to the resulting data base.

Upon receipt of this information, I can assure you that I will be able to make a quick decision on your request.

OFFICE MEMORANDUM

cc: E. Jimenez, PRDPH; C. Else, E. Thomas, RAD; Research Committee members

DATE: September 9, 1993

TO: Paul Glewwe, FROM

FROM: Sheng-Yuan / Acting Administrator, Research Advisory Staff

EXTENSION: 0000

SUBJECT: Request for supplementary funding, "The Impact of Market-Oriented Reform in Rural China," RFP 817-18

I am writing with regard to your request for additional funding from the Research Support Budget for the above project. The Research Committee provides supplementary funds to research projects already supported by RAB monies, however, only in exceptional circumstances.

I am familiar with the administrative events and management actions which led to the problems you describe, and understand the difficulty in conducting research under these circumstances. It is unlikely that any amount of redirection or negotiation could have produced a satisfactory outcome and I believe that your request for and collaboration with the Chinese Land Tenure Institute was necessary.

The way you are proposing to deal with these changes appears satisfactory, and I expect that an extension and supplementary funding are appropriate. Given the past problems in management of the field work, we would need some evidence that your new associates will be willing and able to carry out this work, and that the new work program and budget is logical and adequate. To reiterate, I will need more information, as outlined below.

- 1. A courteous visit, or other professional courtesy for the field, focusing in particular on the experience and training in conducting training interviews, and conducting rural household surveys.
- 2. Some information on the Research Center on Rural Economy, including its current personnel, staff, work program, financial status, and any governmental support and restrictions.
- 3. Details on your proposed use of the RAB 817-18 supplementary monies, and a summary of the use of the RAB funds to date, and
- 4. An updated work program that outlines the tasks remaining and a schedule for their completion.

Any approval would require justification in the form of the additional \$10,000 contribution to the program, and by the additional staff time required and if necessary, additional training back in the field.

Upon receipt of this information, I will be in a position to make a quick decision on your request.

OFFICE MEMORANDUM

RECEIVED

AUG 31 1993

RESEARCH ADVISORY STAFF

DATE: August 30, 1993

TO: Shahid Yusuf, RAD

FROM: Paul Glewwe, PRDPH

EXTENSION: 31102

SUBJECT: Request for Addition Funds for Research Proposal on Market Reforms in Rural China

As we have discussed informally, my research project entitled "The Impact of Market-Oriented Policy Reforms in Rural China" (RPO 677-16), has encountered some serious problems. In this memo I would like to explain the problems, and how I (together with my academic consultants) have decided to resolve them. However, this requires two things from RAD: 1. Extending the time of the project considerably; and 2. A request for some additional funds to pay for additional travel and some equipment costs.

First, a brief explanation of the problems we experienced. Our main problem was working with our counterpart agency in China, the Economic Research Centre in the State Planning Commission. We originally chose them as a counterpart because they appeared to be the agency most receptive to doing the kind of research we were proposing, and the Director, Mr. Huang Fan Zhang, was very accomodating. However, the real counterpart agency that was assigned to us was the Land Tenure Institute, whose staff were much less accomodating than what we had been led to expect. We also later found out that the Land Tenure Institute was not under the control of Mr. Huang, so his influence on them was limited (or so he claimed). Consequently, our relationship with our assigned counterpart, Mr. Li Bei-Fang of the Land Tenure Institute, was never very good, but for as long as possible (most of calender 1992) we continued working with him even though it was not easy.

In October, 1992, we were almost ready to proceed with the major piece of work in China, implementation of a household survey in selected villages in Hebei and Liaoning. The Land Tenure Institute was in charge of recruiting interviewer trainees, and we soon discovered that the trainees they had selected were completely inappropriate. The problem was not their technical skills, but rather their indifferent attitude toward the work. They complained that the work was too hard and that the training was too demanding. At one point they refused to come to classes, and many "disappeared" for long periods of time. Instead of helping us enforce some discipline, the people at the Land Tenure Institute essentially suggested that we lower our standards and, effectively, compromise the quality of the data to be collected. We refused to do so, and entered a period of several months of (eventually fruitless) negotiations. Finally, in April, 1993, we pulled out of the project. I think that the fundamental underlying problem here was that our Chinese counterparts were not really interested in our work but rather saw us as a money-making opportunity.

In April 1993, we had almost abandoned all hope and were going to return all unused RPO funds back to RAD. However, I was travelling to Viet Nam that month so I stopped for a couple of days in Beijing to visit with a potential new counterpart, Mr. Du Ying of the Research Centre on Rural Economy (RCRE). RCRE has only recently "reappeared" after Tian An Men, and in its previous incarnation (Research Centre for Rural Development - RCRD) was an excellent research institute. I was very impressed with Mr. Du. He appeared much more knowledgeable about China's rural economy and much more interested in our research than anyone at the ERC or the Land tenure Institute. He also went out of his way to try to find ways to keep the cost of the project low. I've also heard very favorable things about him within the Bank (see attached memo from Richard Burcroft).

If you recall, much of the funding for our project came from Canada's International Development Research Centre (IDRC). IDRC has agreed to contribute another \$70,000 to get this project back on track using RCRE as our new counterpart agency. However, we need a little more from the Bank as well, because a new field test must be undertaken, and this involves at least 2 more trips by me to China, as well as some costs to the Chinese. Thus I would like to ask for \$28,000 for RAD, \$5,000 this fiscal year and \$23,000 in FY95. We anticipate data collection next summer (1994). Finally, we would like to move the projects closing date from April, 1994, to June 30, 1995.

If you have any questions or comments, please feel free to contact me. I will be away on mission September 1-19. If you want to contact me before I return, you can find out from my secretary (Patricia Cook x33902) how I can be reached.

A L L - I N - 1 N O T E

DATE: 29-Apr-1993 01:45pm

TO: Paul Glewwe (PAUL GLEWWE)

FROM: Richard Burcroff II, AGRAP (RICHARD BURCROFF II)

EXT.: 30366

SUBJECT: RE: Du Ying of the Research Centre on the Rural Economy

Dear Paul:

Du Ying is an experienced policy advisor, coming from the State Council's old Research Center for Rural Development (RCRD) before it was broken up. He also has been involved in a large number of rural survey projects, though I'm not sure in which capacity. However, he is a smart administrator and quite straight forward. I'm sure that if he doesn't feel qualified for the job, he would find people in his unit or amongst other colleagues formerly associated with the old RCRD who could design and manage credible surveys. Have you talked with Dai Xiaoqing or Chen Xiwen?

Richard

Deuwe

5/12 Paul called: Chinese collaborators brought in inappropriate trainees for field work (pol. motives) \Rightarrow need additional \$20-25K from RSB, more from co-sponsors as well.

Told him supplements rare and small.

Will it be same output as from prior proposal? If so, asked him to meet w/ me to discuss. If can write up w/ dif. output, is no problem.

He will work on it and get back to me.

A L L - I N - 1 N O T E

DATE: 29-Apr-1993 01:45pm

TO: Paul Glewwe (PAUL GLEWWE)

FROM: Richard Burcroff II, AGRAP (RICHARD BURCROFF II)

EXT.: 30366

SUBJECT: RE: Du Ying of the Research Centre on the Rural Economy

Dear Paul:

Du Ying is an experienced policy advisor, coming from the State Council's old Research Center for Rural Development (RCRD) before it was broken up. He also has been involved in a large number of rural survey projects, though I'm not sure in which capacity. However, he is a smart administrator and quite straight forward. I'm sure that if he doesn't feel qualified for the job, he would find people in his unit or amongst other colleagues formerly associated with the old RCRD who could design and manage credible surveys. Have you talked with Dai Xiaoqing or Chen Xiwen?

Richard

OFFICE MEMORANDUM

DATE: March 3, 1993

TO: Paul Glewwe, PRDPH

FROM: Gregory K. Ingram, Administrator, Research Advisory Staff

EXTENSION: 31052

SUBJECT: Request for fiscal year transfer of funds (RPO #677-16)

In response to your memorandum of March 1, I have approved your request to transfer into FY94 ten percent of your FY93 budget allocation (\$3,480.00). This is consistent with policies of the Research Support Budget with regard to RPO management.

cc: E. Jimenez, PRDPH; C. Else, V. Mataac, E. Thomas, RAD

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: March 1, 1993 09:18am EST

TO: Gregory Ingram (GREGORY INGRAM)

FROM: Paul Glewwe, PRDPH (PAUL GLEWWE)

EXT.: 31102

SUBJECT: Budget Reallocation - RPO 677-16

As per the rules for reallocating RPO budgets, I would like to move 10% of the FY93 funds for RPO 677-16 ("Impact of Market-Oriented Policy Reforms on Households in Rural China") to FY94. This involves \$3400 (i.e. 10% of \$34,080).

The main reason for this is that we have had difficulty in dealing with our Chinese collaborators on data collection, which has delayed data collection. This delay will (hopefully) be resolved by mid-April. Sorry for the inconvenience, since I know that you would rather have the money spent this fiscal year.

CC: Emmanuel Jimenez (EMMANUEL JIMENEZ)
CC: Institutional ISC Files (INSTITUTIONAL ISC FILES)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: October 28, 1992 12:11pm

TO: Paul Glewwe (PAUL GLEWWE)

FROM: Gregory Ingram, RAD (GREGORY INGRAM)

EXT.: 31052

SUBJECT: RE: Delay in China RPO 67-716

As you know, you have the right to shift up to 10 percent of your FY92 RSB funds to FY93, assuming that your project already extends into FY93. Shifting more than that is subject to negotiation. Extending project deadlines is also subject to negotiation, but unforeseen delays from unexpected events (e.g., the Gulf War) constitute a good reason. I do not know why your project has been delayed, but no exogenous shocks spring quickly to mind. With respect to additional project funding, we continue to be very reluctant to give supplementary funding simply because of a delay.

CC: Emmanuel Jimenez (EMMANUEL JIMENEZ)
CC: Clara Else (CLARA ELSE)
CC: Institutional ISC Files (INSTITUTIONAL ISC FILES)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: October 28, 1992 09:36am

TO: Gregory Ingram (GREGORY INGRAM)

FROM: Paul Glewwe, PHRPA (PAUL GLEWWE)

EXT.: 31102

SUBJECT: Delay in China RPO 67-716

Due to the need to renegotiate the agreement for data collection with our Chinese counterparts, this project will experience some delays of at least 6 months. I will not have details of a new timetable until early December, but I probably would like to: 1. Move some funding from FY93 to FY94 (the amount will not be very big, about 10,000 to 20,000); 2. Get some additional money (about 10,000 to 15,000), most likely to be spent in FY93. It may be that what I really want is to leave FY93 the way it is but to get 10,000 to 20,000 new money for FY94 - I should know in about 6 weeks. I am letting you know now so that I can get a better idea of what is feasible and the best mechanisms for making changes. Sorry I only contact you with bad news, but it is really true that no news is good news. Paul.

CC: Emmanuel Jimenez (EMMANUEL JIMENEZ)
CC: Institutional ISC Files (INSTITUTIONAL ISC FILES)

A L L - I N - 1 N O T E

DATE: 28-Oct-1992 11:40am

TO: Gregory Ingram (GREGORY INGRAM)

FROM: Clara Else, RAD (CLARA ELSE)

EXT.: 31049

SUBJECT: RE: message from glewwe

Was the need to renegotiate the agreement for data collection really an exogenous shock, i.e. to what extent did they prepare inadequately and to what extent were agreements broken by the Chinese? That would determine the extent to which they are eligible for waiver of the 10% restriction.

I do not believe that this constitutes grounds for a supplement, regardless of the source of the delay, however, and would prefer to respond quickly to the note in order to quash any misunderstanding on this.

On the issue more generally, the reorganization may itself constitute an exogenous shock to many of our RPOs that could result in carry-forward and extension requests. Although it may well justify them, this will only exacerbate the RSB FY93 allocations problems. I would prefer to stick to relatively strict precedents on this, with the hope that this could be a (small) source of additional pressure to allow the 3 new VPs to support some research. Is it possible to address this issue with Larry and Nancy before it arises in the specific? Getting a small crack in the doorway would be an important victory, but saying no could also just create a bigger loss in unexpended FY93 funds.

A L L - I N - 1 N O T E

DATE: 28-Oct-1992 10:51am

TO: Clara Else (CLARA ELSE)

FROM: Gregory Ingram, RAD (GREGORY INGRAM)

EXT.: 31052

SUBJECT: message from glewwe

Take a look at attached and let's discuss.

OFFICE MEMORANDUM

DATE: February 4, 1992

TO: Paul Glewwe, PHRWH

FROM: Gregory K. Ingram, Administrator, Research Advisory Staff

EXTENSION: 31052

SUBJECT: Research proposal: "Impact of Market-Oriented Policy Reforms on Households in Rural China"

A subcommittee of the Research Committee has recommended approval of the above proposal at the full \$59,175 budget requested, subject to the relatively minor conditions outlined below. I am pleased to inform you that I have accepted their recommendation.

This approval is predicated on the ancillary contribution by PHR of 8 staffweeks of a staff economist and 6 weeks of a research assistant over the three fiscal years of the project, and of the necessary resources and communication to maintain access to the resulting data base.

The subcommittee has asked that the data collected be sufficiently specific to allow individual farm household models to be fitted. This will require collection of data on, inter alia, expenditures of cash and time (by labor category) for each task, by crop, and on wage and price changes over the year.

Please note that you will be allowed to vary the initial FY92 allocation by only 10 percent hereafter: you may defer use of up to 10 percent of the FY92 budget which you now set for use in FY93, or draw into FY92 from the FY93 authorization an amount up to 10 percent of the FY92 allocation. Any such changes in the budget must be made by the March 13th deadline.

Since FY91, RPOs have been treated in the same manner as other World Bank accounts. Funds not committed and disbursed by the fiscal year deadlines will be lost to both your project and to the Research Support Budget. Thus I would ask you to carefully review the current status and timetable of the work program, reconfirm consultant fees, travel and equipment prices and data costs, calculate the corresponding budget and make adjustments to the fiscal year allocations. As your total RSB funding is limited to \$59,175, you may need to plan to marginally reallocate commitments and expenditures from the RSB account to divisional accounts.

If you have any questions about the RSB budget process that cannot be answered by your department's budget officer, please contact Vilma Mataac, the Budget Officer in charge of the Research Support Budget, at extension 3-1030.

The following account and financial authorizations are issued for your project:

i)	Identification code (RPO #)	677-16
ii)	FY92 authorization	\$ 7,595
iii)	FY93 authorization	\$34,080
iv)	FY94 authorization	\$17,500
v)	Total authorization	\$59,175

Expenses related to the project may be charged to the above account number up to the total amount authorized. Please use the account number as an identification code in all documents relating to the project.

Given that the project is expected to be completed on April 30, 1994, that will be the last date to make financial commitments against the account. The account will remain open for four months after the completion date to allow for disbursements against outstanding commitments.

You are required to file a completion report on the project no later than four months after its closing date; forms for this purpose may be obtained from this office.

cc: A. Hamilton, PHRDR; E. Jimenez, PHRWH
S. Shah, C. Else, E. Thomas, V. Mataac, J. Kipnis, RAD ;
M. Bellinger, ORGHD; R. Salandy-DeFour, ACTAS; C. Ramirez, ACTAB;
Research Committee members

2/4/92

Greg:

Paul has indicated that although the Bank will have unlimited access to the data, the database will reside at U. Toronto. He also is checking on the public access issue, but indicated that the Chinese government has been very sensitive about the breadth of access already, aside from full public disclosure. Please note that the RSB will provide only a third of the funding for the project (although, with PHR staff contributions, the Bank is funding closer to two-thirds).

My inclination is to require only continued Bank access, not full public disclosure and access, with the understanding that Glewwe has enough at stake with us that he will work towards the latter if possible. If you disagree, however, I can hold this for a formal responses from him in this regard.

Clara

Reviews

07
54 to handle
A8-029

WORLD BANK RESEARCH PROGRAM
REQUEST FOR RESEARCH SUPPORT (RSB) FUNDING

received
1/15/92

REGIONAL CONSULTATION FORM

PURPOSE: This form is designed to seek the comments of regional chief economists on research proposals that will involve their countries or regions. Its purpose is to allow the Research Committee to assess the extent of regional coordination and support for the proposed study.

RESEARCH PROPOSAL TITLE:
Impact of Market-Oriented Policy Reforms on Households in Rural China

COUNTRY COVERAGE:

China

COMMENTS BY CHIEF ECONOMIST:

Please indicate whether you are satisfied with the level and form of coordination and liaison undertaken by the project sponsors with the relevant operational units in your region. Also indicate any expression of support and in case of no support, please state the reasons:

We would support the proposal. However, to derive some operational benefits from this work and to moderate its "pure research" bias, we would strongly urge the authors to take due account of the points made both in Mr. S. Yusuf's memo of November 5, 1991 and the one from E.C. Hwa which is attached.

CHIEF ECONOMIST'S NAME (Please type):	SIGNATURE:	DATE:
Vinod Thomas, EAPVP		2/3/92
Frida Johansen, Acting CE, EAPVP		

Please return this form to the Secretary to the Research Committee (S-3015) by January 21, 1992 (c.o.b).

THE WORLD BANK / IFC / MIGA

OFFICE MEMORANDUM

DATE: January 31, 1992

TO: Shahid Yusuf, Lead Economist, EA2DR

FROM: E. C. Hwa *ecw*

EXTENSION: 82346

SUBJECT: Comments on Research Proposal "Impact of Market-Oriented Policy Reform on Households in Rural China"

1. This investigation should be a useful contribution to our understanding of the behavior of rural household in China. The study's attempt to build the "micro" economic foundation of the aggregative rural economy is particularly welcome.

2. The study appears to be very ambitious, both in terms of its data design and expected research outputs. I have three comments:

a) To what extent the research results based upon two Northern provinces can be generalized to the level of agricultural policy formation at the national level, which is one of the key objectives of this study?

To be fair to the proposal, this is probably a question facing most investigations in China, given the size of the country and the increasing diversities in policy setting at the local level. Nevertheless, it seems that the researchers should try to address this question at the outset of the research design.

b) Although alluded to the collection of key time series data, the study is going to be primarily based upon cross-sectional surveys. If this is so, it is not clear that we can distill from this study impacts of certain key policy changes on rural household behavior, such as changes in institutional settings, and in input and output prices (unless they vary sufficiently across households, which is doubtful).

3. One of the stated goals of this study is to improve agricultural policies. It would be helpful if the author could give a brief discussion of present Chinese agricultural policy setting, its likely shortcomings, its relevance to agricultural performance etc., in order to better anchor the proposal.

E. C. Hwa:cwb

RECEIVED

JAN 21 1992

RESEARCH ADMINISTRATION DEPARTMENT

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: January 21, 1992 02:15pm

TO: Ravi Kanbur
TO: Gregory Ingram

(RAVI KANBUR)
(GREGORY INGRAM)

FROM: Wilfred V. Candler, OEDD1

(WILFRED V. CANDLER)

EXT.: 31726

SUBJECT: China Research Proposal

1. I agree with your bottom line. I believe that though reviews #3 and #4 were critical, the authors rebuttal was convincing.

2. I believe that the Research Committee should be assured, however, that labor and cash flow profiles will be collected in sufficient detail to allow individual farm household models to be fitted. (That is time, by labor category, and cash spent on particular, crop by crop, tasks. And wage rate, and price changes over the year.) This would allow a check as to whether the econometrically predicted behavior makes sense when viewed from the perspective of an individual household. With this reassurance, I would support the application.

CC: Clara Else
CC: Julio Kipnis

(CLARA ELSE)
(JULIO KIPNIS)

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: January 19, 1992 09:51am

TO: Gregory Ingram (GREGORY INGRAM)
TO: Wilfred V. Candler (WILFRED V. CANDLER)

FROM: Ravi Kanbur, RAD (RAVI KANBUR)

EXT.: 31056

SUBJECT: China Research Proposal

1. I gather that we are the sub-committee for the Research Proposal "The Impact of Market Oriented Policy Reforms on Households in Rural China". I have now read through the documentation, and my reactions are as follows.

2. When I read through the proposal, my first reaction was that this was a cost effective way for the Bank to get into a data collection and analysis effort. The proposal did not spell out in detail the methods of analysis to be used, but it is clear that a standard "modified Singh-Squire-Strauss" methodology will be used. To my mind this is sufficient for a proposal of this size, if one has confidence in the researchers, which I do.

3. The negative reviews (#s 3 and 4) concentrated on two issues--lack of a clearly stated methodology of analysis, and the existence of other data sets. I feel that the sponsor's responses are adequate. What we will get is preliminary analysis of a new data set-- a more detailed proposal can be submitted at a later stage. On other data sets, I think the sponsor's response is also adequate--this data set will be collected anyway, there are problems with the other data sets, and getting the perfect design for an all China survey is not a realistic prospect for many years to come (indeed, this experience with applying the Bank's LSMS methodology to a part of China will be useful in any future all China effort).

4. Finally, the proposal has Regional support.

5. For these reasons, I think we should go ahead and support this proposal, although RAD staff may wish to negotiate with the sponsor to shift as much expenditure as possible into FY93 and FY94 (the expenditure in FY92 is in any case relatively small).

6. If you agree with this assessment, I propose that Greg goes ahead and approves the project--no need to meet, is there?

CC: Clara Else (CLARA ELSE)
CC: Julio Kipnis (JULIO KIPNIS)

OFFICE MEMORANDUM

DATE: January 14, 1992

TO: Messrs. Ravi Kanbur, RAD and Wilfred Candler, OEDD1

FROM: Julio Kipnis, RAD

EXTENSION: 31063

SUBJECT: Research Proposal: "The Impact of Market-Oriented Policy Reforms on Households in Rural China"

Thank you for agreeing to serve on the subcommittee in charge of evaluating the above research proposal for the Research Committee. Enclosed is the proposal and all related materials. A meeting to discuss this proposal with Mr. Ingram has been tentatively set for Wednesday, January 22nd at 10:30 in Room S-3033.

Again, many thanks!

:et

Attachments

cc: G. Ingram, RAD (w/enclosures)
C. Else, RAD (w/o enclosures)

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION
OFFICE MEMORANDUM

DATE: January 7, 1992

TO: Gregory Ingram, RAD

FROM: Paul Glewwe, PHRWH

EXTENSION: 31102

SUBJECT: Response to Reviewers' Comments on Research Proposal on Rural China

RECEIVED

JAN 07 1992

RESEARCH ADMINISTRATION DEPARTMENT

Please find attached our detailed responses to the reviewers' comments on the research proposal entitled "The Impact of Market-Oriented Policy Reforms on Households in Rural China," which I submitted to the Research Committee in early November, 1991. We look forward to hearing from the Committee. If you have any questions, please contact me at any time.

Response to Reviewer's Comments

We will respond to the four reviewer's comments in the order of the reviewers.

Reviewer #1 This reviewer had almost nothing negative to say about the proposal, and indeed was very supportive of it. While acknowledging that we have not presented a detailed model of the environment faced by rural households in China, the reviewer recognizes that Loren Brandt and Barbara Sands are well qualified both in economic modeling and econometric testing.

Reviewer #2 This reviewer also strongly supported the proposal. The one worry of this reviewer is that choosing the sample so as to match our data with those from the 1930's may restrict us from choosing a more interesting sample. Our response is threefold: 1. We believe that the areas we intend to sample will prove more than adequate to support the analyses we envision (for more detail see the comments to reviewer 4 below); 2. Not only will we have data from the 1930's, but we will also have village-level time series data from the Land Reform (1949-50) to the present (see p.10 of our proposal); and 3. The only way to find out how useful making comparisons of the same areas between the 1930's and the 1990's would be to try it and see what happens, and that is what we intend to do.

Reviewer #3 This reviewer, while generally supportive, feels that the proposal needs to be more fully developed. Specifically, more details are requested on the hypotheses to be tested, the economic model(s) to be used, and the econometric procedures to be employed. We clearly admit that we have not provided such details. We have done so not because we are lazy, but because so little is known about conditions faced by households in rural China that one needs to look at the data before one can set out the appropriate model in full detail. Unlike almost all other research proposals funded by the Bank, the data we intend to use have not yet been collected, so we cannot take a preliminary look at the data to help us focus on the details of the environment faced by rural Chinese households. This is why we cannot lay out exact models and econometric procedures at this time. Given this situation, the only way to provide more modeling and econometric details is to write out many models, one for each possible "state" that we may find when we examine the data. But the number of possible states is rather large, too large to work out all the details for each state. Still, we provide here a general discussion of how we will deal with some difficulties that we are likely to encounter, and at the same time answer many of the specific issues raised by this reviewer.

The most important methodological reservation raised by this reviewer is that although there are standard ways of dealing with such problems as rationing, dual prices, migration and differences between returns to on- and off-farm labor, it is more difficult to deal with these problems all at once.¹ Our approach, which is similar to that adopted by Jacoby (for reference see our proposal), will be to first carry out analyses on household production activities, and then use

¹The reviewer also mentions restrictions on migration. We find this curious because such restrictions simplify modeling by reducing the number of decisions which must be modeled (or accounted for in some other way).

the results to tackle issues of labor supply and the determinants of wage rates.² This will enable us to separate modeling and estimation problems associated with household productive activities (credit and input rationing, and dual prices) from those associated with labor supply decisions (differences in the returns to on- and off-farm labor).

Problems associated with modeling household production activities deserve special mention. Whether or not rationing of inputs or credit exists, as well as the existence of dual prices for inputs and/or outputs, is very much a question of how household contracts are set (and in some cases renegotiated) in rural China. This is true because the most common cause of rationing and dual prices is the contract agreed to by the households and the local governing authorities. We will build on a theoretical model worked out by Loren Brandt and Arthur Hosias, which they have applied to rural households China in the 1930's. Attached to this memo is a detailed description (including econometric techniques) of that model, both for its own sake and also to demonstrate our competence in modeling household behavior.

The remark by the reviewer that our proposal "does not provide a clue" as to how we will analyze "the functioning and role of product and factor markets" is a valid point. As explained in the previous paragraph, much of this will involve a detailed investigation of contract formation, and we have attached a description of the model which will be modified as needed. The functioning of contracts is also a key area of investigation regarding impediments to the expansion of these markets.

Finally, the reviewer also would like to see a statement of the most important hypotheses to be tested. Many are implicit in our proposal, but we will provide a list here to clarify any ambiguities:

Hypothesis 1: Binding contract quotas, which require households to deliver a fixed amount of crop output (usually grain or cotton) to the local government at below-market prices, may result in labor and land productivity differentials within such households, i.e. lower productivity for those crops which must be delivered relative to other crops and sidelines such as animal husbandry.

Hypothesis 2: Restrictions which exist in some communities on labor markets and secondary (sub-leasing) land markets generate factor productivity differentials across households within such communities, since such restrictions impede the reallocation of those factors so as to equalize marginal returns across households.

Hypothesis 3: Households which are forced to grow grain on some of their land holdings for purposes of self-provision (a common practice in rural China) may be less productive than those which face no such restrictions (or for which the restrictions are not binding). In other words, there are households which would be better off if allowed to specialize in activities other than grain

²The estimated household production functions will be used to calculate the value of the marginal product of each household member's labor, which will be used to estimate labor supply and related behavior.

cultivation and then obtain their grain exclusively from market channels.

Hypothesis 4: The (time) length of land contracts (which often varies by villages) affects long-run productivity; those households facing shorter contracts will be less productive due to reduced incentives to invest in land improvements.

Hypothesis 5: Although inequality in land income may be lower today than in the 1930's (due to a more equitable distribution of land), this may be offset by greater inequality in labor incomes today (due to more distortions in the labor market).

To summarize our response to this reviewer, we have always recognized that our proposal is short on details, but given that our knowledge of what is happening in rural China is very limited (in particular, the data we intend to use have not yet been collected) we can only partially satisfy this reviewer's request for more details. Yet it should be kept in mind that our lack of data at this point is also an advantage, because before the data are collected all three of the main collaborators (Brandt, Glewwe and Sands) will spend up to one month in the rural villages of Hebei and Liaoning from which our sampled households will be drawn in order to get a better understanding of the environment faced by those households (see the timetable in our proposal). Only then will our questionnaires be finalized.

Reviewer #4 This reviewer was the most negative of the four, and is particularly concerned about the choice of Hebei and Liaoning as the two provinces in which we will collect data. Before getting into specific issues, we need to clarify why it would be a mistake to attempt a study on the whole of China using either the SSB data set mentioned by the reviewer or some future LSMS for all of China.

Regarding the SSB data set, Loren Brandt spoke with Stephen Pudney at Cambridge University, who informed us that those data suffer from several important problems: 1. The consumption data for each household have been made available only in aggregate form, so that one cannot look at consumption of individual items, which is crucial for estimating elasticities of marketed (as opposed to total) output. Pudney also informed us that he finds the quality of the consumption data to be deficient and seriously doubts whether they can be used to examine issues of inequality; 2. There are no price data, which effectively prevents one from estimating price elasticities unless such data can be found from other sources; 3. There is no information on subsidies to households, which for many households are an important source of income; 4. There is no information on labor supply, so that one can do almost no labor market analyses.

Regarding doing an LSMS in all of China, PHRWH (which is responsible for LSMS at the Bank) has been pursuing, along with Bank staff Alan Piazza (AS3AG), the possibility of doing an LSMS in one or two provinces in China since 1988. Despite a large amount of effort, very little progress has been made. The reviewer does not seem to appreciate the difficulty of doing primary data collection in China in just one or two provinces, let alone all of China. We are greatly encouraged by the possibility of doing work in two provinces (the possibility of which is a result of very long and delicate discussions), and our

Chinese collaborators have hinted that if this study goes well data collection in more provinces will be possible in the future. The opportunity now before the Bank is whether or not to participate in this very rare opportunity to collect data in Hebei and Liaoning. Trying to start from scratch at this point to negotiate an LSMS for all of China will, at best, put off data collection for several more years, and perhaps lead to no agreement at all.

Now we turn to these reviewers' comments in detail. First, World Bank participation will have a fundamental influence on the data collected. Although the sample has already effectively been chosen, Paul Glewwe, along with consultants Loren Brandt and Barbara Sands, will draw up the questionnaires to be used.³ Our Chinese collaborators have given us complete responsibility for the contents of these questionnaires, which will clearly have a dramatic influence on the "range of issues" that the data can address. The "objectives of the IDRC/NSS data collection" are simply those of this proposal, there is no separate agenda of any kind.

Regarding the choice of provinces, while other provinces (particularly those in southern coastal China) may have been more interesting to examine, the data from Liaoning and Hebei are more than sufficient for the task at hand. As pointed out in our proposal (p.9), the data will be a representative sample of the two provinces, which together contain more than 100 million people. Certainly, the role of an emerging market system in such a large area merits study, perhaps even more so because changes there have come more slowly than those in southern China. Aggregate elasticities for these two provinces alone are useful in their own right.

As far as examining the nature of inequality, the reviewer's claim that "across region inequality is still the major determinant of inequality in China" is vague, at best. If by "across regions" the reviewer means across provinces, or even across groups of provinces, this assertion has no supporting evidence whatsoever and is probably wrong.⁴ If the reviewer means some sub-provincial geographic area, then we may not disagree; more importantly, we will be able to examine this claim using our data from Hebei and Liaoning.⁵

Regarding job rationing in the non-agricultural sector, we raised this issue in the context of a discussion of inequality on pp.11-12 in our proposal. Our point was simply that township- and village-owned enterprises are not

³As in other LSMS surveys, there will be a household questionnaire, a community/village questionnaire and a price questionnaire.

⁴Glewwe has looked at across-region inequality (where "regions" divide up a country into 5-10 different parts) in several developing countries (Cote d'Ivoire, Ghana, Jordan, Peru, Sri Lanka) in a very rigorous manner and has never found that across-region inequality amounts to more than 25% of overall inequality.

⁵We may even be able to learn something about across-province inequality since we will have data from two separate provinces in both the 1930's and the 1990's.

necessarily subject to market forces, and thus may pay above-market wages to their employees, which could further exacerbate inequality. Whether or not this is true will only be known by examining the data. Since this point was a rather minor one in our proposal, we do not see a need at this point to define precisely the form any consequent job rationing may take.

As far as our lack of a detailed analytical framework, we admit above that our proposal is short on modeling and econometric details. However, there is a valid reason for this. See our comments to reviewer number 3 on this point.

In summary, we think that this reviewer underestimates both the usefulness of the data we intend to gather as well as the difficulties of obtaining (or collecting) useful data that cover all of China. From the Bank's point of view, the unique opportunity offered by this proposal is that of designing an LSMS-type questionnaire to implement in two provinces (covering more than 100 million people) in China.

We hope that these responses to the different reviewers satisfies the Research Committee. If, in spite of the efforts we have made here, the Committee feels we must provide more details for a proposal of this (budget) size, we would be willing to ask for a project preparation grant to collect the data and look it over, after which we would come back with a very detailed (and perhaps larger) research proposal which would contain as much detail as any reviewer would like. However, we prefer to put forward the present single proposal and hope that we have provided sufficient answers to the different reviewers.

The Economics of Agrarian Contracts

This proposal contains three projects, each investigating different aspects of a unique data set describing all land and labour contracts in 21 Chinese villages in 1936. The translation, organization and preliminary investigation of this data was done by L. Brandt with support from an earlier SSHRC grant. Each project is a significant departure from earlier research in the corresponding area. The project on contract choice is the first to use a multinomial logit model with explicit profit functions and factor price-taking behaviour that allows multiple choices per family; the project on wage determination is the first to consider payment patterns as a job attribute in a hedonic pricing context that allows estimation of the equalizing wage differential for implicit lending and borrowing between employers and employees; the third project on rent determination is the first to consider the joint determination of rents and rent deposits in a setting which recognizes the possibility of ex post contract renegotiation, i.e., recognizes that so-called fixed-rent contracts may actually implement an output-contingent payment schedule. Detailed descriptions follow below.

1. A Model of Contract Choice in Agriculture

Since Cheung's (1969) seminal work first appeared, the literature on contract choice in agriculture has mushroomed (Singh, 1989). Initially concerned with the choice between share and fixed-rent land contracts, and the inefficiency of the former, more recent theoretical research also admits the hiring of labour as an alternative to either form of land rental. Informational problems and/or missing markets underlie the different current explanations of contract choice (Binswanger and Rosenzweig (1985), Rosenzweig (1989)).

Despite considerable progress, important elements of the contract choice problem remain largely unexplored: (1) Single agent models are used to analyze household decision making despite the fact that most households have many members with different age-sex-skill attributes. (2) The label "tenant", "landlord", "employer" or "employee" is imposed on an individual-cum-family despite the fact that the decision to participate on the demand or supply sides of the markets for fixed-wage, fixed rent or share contracts is endogenous. (3) The assumption is made that a family participates on only one side of one market despite the fact that many households engage in more than type of contract, buying in some markets and selling in others. (4) The possibility that some families may opt not to participate in any factor market is ignored entirely.

Some of these shortcomings are immediately revealed by detailed contract and demographic data in our sample of more than 1000 households in 21 villages in Northeast China in the 1930's. Almost a third of the households entered into neither a land nor labour contract while nearly one in five entered into more than one type of contract. At the village level, while a variety of contracts is observed, in seven of the villages one type of contract (fixed rent, share, wage labour) is used almost exclusively. What is needed is a model that is capable of explaining the mix of contracts observed at the individual household level. The empirical model sketched below is designed to provide such an explanation.

The basic production-decision unit in our model is the family. A family has a fixed number of members, described by a vector of human capital variables, and endowments of land, draft animals and farm implements. Each family can participate as a buyer or seller in a market for labour services, and two markets for land services, one mediated by fixed-rent contracts and the other by share contracts. For example, using fixed-wage contracts, a family can either hire in workers, hire out family members or not participate in the labour market. Similar three-way choices among both fixed-rent and share contracts identifies a total of 27 possible contract combinations per family. As an empirical matter, many of these combinations are unimportant. Attention will be restricted to the 15 choices described below.

Following Eswaran and Kotwol (1985), it is assumed that, because of bi-lateral incentive problems and contract incompleteness, family labour is more productive than hired-in wage labour, and own land is more productive than rented-in land. Furthermore, the only way to attenuate these incentive problems is to engage in share contracts.

On one hand, from a potential landlord's perspective, a family that is offered a share contract will be more productive than an equivalent number of wage labourers. That is, since the family's payoff with a share contract is an increasing function of its members' efforts, the family head has an incentive to supply a supervisory input to these individuals that would not otherwise be made available to labourers on fixed-wage contracts. A family that offers a share contract will be said to "hire in supervised workers". On the other hand, from a potential tenant's perspective, the land that is supplied under a share contract will be more productive than would be the same amount of leased land. With a share contract, the landowner's payoff is an increasing function of the quality of the enterprise, which provides the incentive to supply a managerial input that would not otherwise be made available to lands that are leased-out on fixed-rent contracts. A family that accepts a share contract will be said to "rent in managed land". The possible contract combinations considered in this project are listed below.

	HIRE OUT FAMILY	NEITHER	HIRE IN WORKERS	HIRE IN SUPERVISED WORKERS
RENT OUT LAND	1 (8)	2 (37)	3 (23)	10 (12)
NEITHER	4 (209)	5 (302)	6 (63)	11 (27)
RENT IN LAND	7 (51)	8 (129)	9 (36)	12 (3)
RENT IN MANAGED LAND	13 (22)	14 (48)	15 (9)	

Note: The numbers in parantheses are the number of families in our sample in each of these cells.

Families located in Cell 1 use fixed-wage and fixed-rent contracts to rent out labour and land, those in Cell 10 rent out land under both fixed rent and share contracts, and those in Cell 13 hire out family members and act as tenants under a share contract. Previous empirical research on the fixed-rent vs share choice from landlords' (tenants') perspectives has restricted attention to a simple comparison of Cells 2 & 11 (8 & 14).

We propose to model contract choice with a multinomial logit model. In particular, it is assumed that a family's indirect utility from choice i equals the maximum profit earned from i plus a residual capturing unobserved choice-family characteristics. It is also assumed that these residuals are independently and identically distributed with the type I extreme-value distribution.

As yet, our empirical work excludes share contracts and has considered choices among Cells 1 to 9 above. The remaining discussion is restricted to this simpler case. This discussion gives only a general description of the direction of our work as space limitations preclude a detailed description.

Consider a family with F members (in efficiency units), L units of land, managerial skill level M and supervisory skill level S (M and S are functions of the family's attributes and will be estimated). If f family members are hired out, f' workers are hired in, λ units of land are rented out and λ' units are rented in, output equals $Q = A(E_N)^\alpha(E_L)^\beta$, where E_N denotes the number of efficiency units of labour and E_L denotes the number of efficiency units of land, i.e., $E_N = S[F - f + \theta f']$, $E_L = M[L - \lambda + \xi \lambda']$, $1 - \theta$ denotes the efficiency loss from hiring in fixed-wage workers and $1 - \xi$ is the efficiency loss associated with renting in land. $(A, \alpha, \beta, \theta, \xi)$ are parameters to be estimated; the bilateral moral hazard hypotheses, $\theta < 1$ and $\xi < 1$, can be tested. Given output price p , wage w and land rent r , profit equals $pQ - w(f' - f) - r(\lambda' - \lambda)$.

Given a sample with n families, define the likelihood function L by

$$L = \prod_{i=1}^n P_i(c_i), \quad \text{where } P_i(c) = \frac{\exp(\pi_c)}{\sum_{j \neq c} \exp(\hat{\pi}_j) + \exp(\pi_c)},$$

$P_i(c_i)$ is the probability that family i will make choice c_i , given that c_i was i 's actual choice, π_c represents the profits associated with the actual choice c and $\hat{\pi}_j$ represents the maximum profits that the family would have earned had it chosen j instead. The expressions for π_c and $\hat{\pi}_j$ are described in the appendix.

Preliminary testing of the predictions of the bilateral moral hazard model of contract choice was carried out through the estimation of a conditional multinomial logit model. Analysis was restricted to households in Cells 1-9. Initially, profits were modeled in each cell as simple linear functions of a household's endowment of physical and human capital and

of locally prevailing wage and rent rates. Estimates of the effects of these variables on contract choice was obtained by maximum likelihood estimation. The results from this linear mixed logit are generally consistent with the predictions of a standard model of price-taking behaviour.

A simplified version of the 9-choice structural logit model sketched above has now been estimated using nonlinear maximum likelihood techniques. In addition to information on the production technology, $\{A, \alpha, \beta\}$, we obtain estimates of the efficiency losses associated with hired-in labour and land, $\{\theta, \xi\}$, and, via the functions S and M, estimates of the contributions of different family attributes to its supervisory and managerial ability.

These estimates indicate that there are decreasing returns ($\alpha + \beta < 1$) at the level of the family enterprise (possibly due to the nonreproducibility of the family head). Estimates for θ are in the .8 to .9 range, implying a productivity differential of 10-20% between family and hired-in workers. Preliminary estimates of ξ exceed 1, implying the opposite for rented-in land. This may be due to differences in land quality that we have so far ignored; we plan to use land tax data to correct for this effect.

These results are preliminary. We expect to proceed in several directions: (1) Use the equilibrium wage and rent functions, estimated in Projects 2 and 3 below, in families' profit functions to estimate better their potential earnings from alternative choices (currently, we are using the village average wages and rents). (2) Model the moral hazard parameters, θ and ξ , as functions of household attributes and crop mix. (3) Allow the production technology to be translog. (4) Incorporate village-level, additively separable, market specific transactions costs. (5) Expand the number of alternatives to 15 to include share contracts.

2. Equalizing Wage Differentials for Credit

Credit plays a central role in the analysis of rural market institutions. Much of the recent focus has been on the rationale for and consequences of interlinked transactions in credit and land (notably via share contracts) or labor (Bell, 1988). Based on an analysis of contract (credit, land, labor) data for the 1050 households in our survey, explicit tied transactions of this sort appear to be extremely rare in rural Northeast China. However, preliminary investigation revealed that credit was implicitly extended via employment contracts. Moreover, based on a comparison of figures for borrowing and lending in the formal credit markets in the survey villages, this implicit credit appears to have been the most important mechanism through which villagers lent to each other.

Approximately 1/3 of the labor used in agriculture was hired in. Of this, about 85% was hired on long-term (non-spot) contracts, covering anywhere from 1 to 12 months. The table below describes the distribution of these contracts by length and starting date.

		STARTING DATE					
		S1	S2	S3	S4	TOTAL	
LENGTH (months)	1-3	15	17	57	31	120	S1-Jan-Mar
	4-6	99	16	39	0	204	S2-Apr-Jun
	7-9	93	6	0	0	99	S3-May-Sep
	10-12	320	0	0	0	320	S4-Oct-Dec
TOTAL		527	39	96	32	693	

Interestingly, the prescribed temporal pattern of payments to workers differs significantly among contracts in this sample. In more than half of the contracts, a single payment was made either at the beginning (30%) or end (25%) and, in the remaining sample, payments were made in intermittent installments (typically 2 or 3 unequal payments); similar payment heterogeneity has been observed among long-term contracts in India (Bardhan and Rudra, 1981). Moreover, each of these payment patterns (beginning, end, intermittent) is observed among contracts in each box of the above matrix.

Full payment at the beginning (end) of a contract is interpreted here as a loan from the employer to employee (employee to employer). The main question of interest in this project is, what are the equalizing wage differentials between contracts whose payment patterns

entail different degrees of net borrowing between employers and employees. To answer this question, the model sketched below will provide the basis for our empirical work.

Consider the following N-period employment contract: at $t=0$, the employer pays the employee an up-front wage w_0 , and at $t=N$, the employer pays a wage w_N ; in exchange, the employee agrees to supply labour throughout the contract period. Initially, uncertainties and informational asymmetries are assumed to be absent.

A worker chooses an employment contract, $\{w_0, w_N\}$, to maximize his expected discounted utility of beginning- and end-of-contract consumptions, $V=U(c_0)+\delta U(c_N)$, where $U(\)$ is an increasing strictly concave function and δ is a discount factor. Suppose that workers are precluded from participating in the formal credit market, so that $V = U(a_w+w_0)+\delta U(w_N)$ where a_w denotes the worker's beginning-of-period endowment.

Employers choose employment contracts to maximize expected profits. Suppose that employers can lend at the rate r_L and borrow at the rate $r_B > r_L$. Then, given endowment a_e and a fixed employment cost c , an employer will use "internal funds" to pay w_0 as long as $w_0 \leq a_e - c$. The employer's expected profit at $t=N$ from the employment of a worker under contract $\{w_0, w_N\}$ is described as follows: $\Pi = (z-w_0)(1+r_L)+v-w_N$ if $w_0 \leq z = a_e - c$, and $\Pi = -(w_0-z)(1+r_B)+v-w_N$ if $w_0 > z$, where v denotes the value of the worker's marginal product. The loan rate is the same for all potential employers in a given village whereas the borrowing rate may vary, depending on an employer's collateralizable assets.

An equilibrium of the above model determines a functional relationship between the two wage payments, $w_0=W(w_N)$, such that, for any description of the given populations of workers and employers, (i) each agent chooses the employment contract that maximizes its utility subject to the constraint that $w_0=W(w_N)$ and (ii) the demand and supply of labor are equal at each wage package on $W(w_N)$. In effect, the payment pattern is taken to be an attribute of a job in much the same way that, say, the work environment is a job attribute. That is, following Rosen (1986), a labour market transaction is viewed here to be a tied sale in which a worker simultaneously sells labour services and buys a payment pattern while an employer simultaneously buys the labour services and sells a payment pattern. $W(\)$ describes the resulting competitive spatial equilibrium.

This formulation of the problem does not easily accommodate the more complex wage patterns in our data. To do so, we now describe an alternative but equivalent formulation. Let w denote the present discounted value of the wages $\{w_0, w_N\}$: $w = w_0 + \rho w_N$, where $\rho = 1/(1+r_L)$. Now suppose that the contract interval, from $t=0$ to $t=N$, is divided into N subperiods of equal length. The present discounted value of the payment stream that pays y at the end of each of these subperiods is $y[\rho^{1/N}+\rho^{2/N}+\dots+\rho]$. Therefore, for any irregular payment pattern $\{w_0, w_N\}$, we can define an equivalent permanent wage by equating their corresponding present discounted values: $y = (w_0+\rho w_N)/[\rho^{1/N}+\rho^{2/N}+\dots+\rho]$.

Let z_t denote the amount that the worker has implicitly borrowed from the employer at the beginning of the n -th subperiod: $z_1=w_0$, $z_2=w_0\rho^{-1/N}-y$, $z_{t+1}=z_t\rho^{-1/N}-y$. By definition, $z_{N+1}=z_t\rho^{-1/N}-y+w_N=0$. Define the average amount of borrowing during contract $\{w_0, w_N\}$, \hat{B} , by $N^{-1}\sum_{n=1}^N z_n$. \hat{B} can be either positive or negative; in the former (latter) case, the employer is said to be lending to (borrowing from) the worker. Observe that multiplying w_0 and w_N by λ , increases y , z_t and \hat{B} by the same factor. A measure of the payment pattern that is independent of the present discounted value of wages and the contract length is the normalized average borrowing $B = \hat{B}/w$.

A model in which workers and employers explicitly choose among contracts that prescribe different wage levels and payment patterns is equivalent to one in which they instead choose among (y, B) packages; i.e., the one-to-one relationship between $\{w_0, w_N\}$ and (y, B) implies that workers and employers preferences can alternatively be defined over y and B . Hence equilibrium can also be described by some function $y=H(B)$. Using Rosen's terminology, $H(B)$ is the 'equalizing difference function' which describes the trade-off in the market between the contract's permanent wage payment and the implicit borrowing between workers and employers that takes place through the employment contract; $H'(B)$ is the marginal price of borrowing by workers.

The latter formulation is easily generalized: Consider an N-period employment contract with wages w_t , $t=0, \dots, N$. An equivalent description of the contract specifies the permanent wage, y , and a sequence of normalized borrowing levels, z_t/w , $t=1, \dots, N$. With some loss of information, this contract can be described by y and the normalized beginning-of-contract,

end-of-contract and average borrowing levels, $(z_1/w, z_T/w, B)$, whence the resulting hedonic function would be $y=H(z_1/w, z_T/w, B)$; with some further informational loss, the contract can again be described by (y, B) , whence the market equilibrium generates $y=H(B)$.

The adjacent figures describe an equilibrium where all potential employers bear the same fixed employment cost and have the same outside opportunities and the supply of employers at each endowment level is elastic.

Thus, in equilibrium, an employer with endowment a_e will earn $\Pi = a_e(1+r_L) + M$, where M is the value of the common outside opportunity. Π_1 is the iso-profit curve of an employer with endowment $a_{e1} \geq c$ and intersects the w_N -axis where $w^* = v - c(1+r_L) - M$.

This illustrative model predicts that: (i) workers with small endowments, low discount factors or high marginal utilities of beginning-of-period consumption will choose employment contracts with large up-front payments, (ii) the average up-front payment is higher among employers with larger endowments, (iii) the PDV of a workers' payments increase with v and decrease with c and M , and (iv) the corresponding equalizing difference function, $y=H(B)$ is perfectly elastic (while individual employers face different lending and borrowing rates, workers are always matched to firms that can use internal funds to finance w_0).

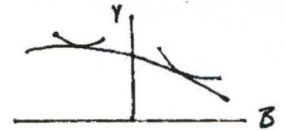
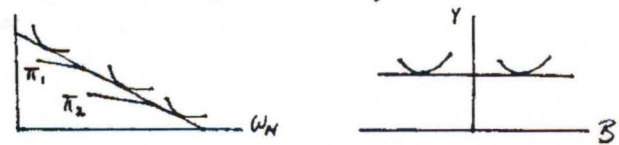
How are these results modified when there is an incentive problem? Suppose, for example, that the probability of a worker quitting mid-contract (defaulting on the implicit up-front loan) is a decreasing function of the end-of-contract payment; alternatively, one could follow the efficiency wage literature and model shirking as a decreasing function of the end-of-contract payment. In either case, it can be shown that an individual employer's iso-profit lines, and hence the resulting hedonic wage function, are no longer (piece-wise) linear. Results (i)-(iii) are exhibited here as well. The key difference is that the equilibrium will now exhibit a trade-off between wages and debt.

Using the contractual permanent wage as the dependent variable, preliminary regressions reveal that (controlling for employee attributes, contract starting time and duration and village-level conditions) workers who were paid at the beginning (end) of a contract received less (more) than those paid in installments. Moreover, the average amount of borrowing appears to be correlated with agents initial assets, in the manner predicted by (i)-(ii). Future work will largely be aimed at correcting these wage equations for the endogeneity of the borrowing decision and possible self-selection on the parts of both workers and firms. Instrumental variable techniques will be investigated. Developing a bilateral extension of Garen's (1984, 1988) work on self-selection appears to be a promising avenue for future work.

3. Rents, Rental Deposits and Rent Renegotiation

The theoretical literature on agricultural land contracts largely involves a comparison of fixed-rent and share contracts. The distinction most emphasized is that the tenant becomes the residual claimant under a fixed-rent contract. In turn, its implications for contract choice are manifold: If the tenant is risk-averse and uncertainty is important (i.e., insurance cannot be acquired via a portfolio of wage and rent contracts), share contracts are a means by which the tenant can acquire insurance (Newbery and Stiglitz, 1979). If output depends on the tenant's effort but effort is private information, a moral hazard problem arises and the rental contract offers the advantage of providing greater returns to and hence incentive for effort provision (Eswaran and Kotwol, 1985). If output depends on the tenant's ability and ability is private information, an adverse selection problem arises and a menu of fixed-rent and share contracts can potentially be used to induce high (low) ability types to select rent (share) contracts (Allen, 1985).

This overview is not exhaustive. Still, it illustrates that the supposed advantages and disadvantages of a rent contract compared to a share contract stem from the fact that the former (latter) contract is a noncontingent (output-contingent) contract. In this context, the following features of our sample of 499 land rent contracts are surprising: first, 111 of these contracts required an up-front rental deposit (returned on payment of the rent); and second, in 125 instances, the rent was renegotiated at some point during the contract period



such that the rent that was actually rent was less than the amount prescribed by the original contract (in all other cases, the actual and prescribed rents were the same).

Thus, contrary to the standard characterization of fixed-rent contracts, these rent contracts are most similar to loan contracts. On one hand, the rent deposit appears to play a collateral-like role, i.e., it protects the landlord's "investment" and discourages tenant defaults. On the other hand, the fact that some contracts are renegotiated indicates that, with the arrival of information which presumably indicates that full rental payment is not likely, the landlord may agree to change the terms of the contract. In turn, this means that rental contracts do, in fact, implement a nonlinear output-contingent payment schedule. As a result, rental contracts which admit ex post renegotiation may provide both insurance (rent reductions on the down side) and incentives (residual claimancy on the up side) to a greater degree than was previously believed to be the case.

This aim of this project is to develop and estimate a model explaining the joint determination of equilibrium contract rents and rent deposits that takes into account the possibility of subsequent contract renegotiation. We have not yet seriously considered different possible models. Setting aside the issue of renegotiation, we anticipate an equilibrium equalizing rent differential for rental deposits that is the counterpart to the wage differential described earlier. Preliminary estimation of a probit model of contract renegotiation indicates that the probability that the rent will be renegotiated rises when (i) the contracted land is of low quality, (ii) the amount of land under contract is large, (iii) there is no rental deposit, (iv) the landlord is an absentee landlord, (v) the initial rent is high, (vi) the tenant's own land holdings are small, and (vii) the amount of land in the same village which experienced a 50% or more drop in output rises. These results seem to accord with one's intuition.

Contract renegotiation is currently a "hot" topic for theoretical research (egs., Hart and Moore (1985), Huberman and Kahn (1988)) and so the proposed research, which will be one of the first empirical efforts in this area, should be of interest to a broad audience.

Appendix

The profits associated with the actual choice c are determined by substitution in the direct profit function. For example, for a family in Cell 1, which hired out f family members at wage w , rented out λ units of land at rent r and faced output price p , π_1 equals $pA[S(F-f)]^\alpha[M(L-\lambda)]^\beta + wf + r\lambda$; alternatively, for a family in Cell 9, which rents in land and labor, π_9 equals $pA[S(F+\theta f')]^\alpha[M(L+\xi\lambda')]^\beta - wf' - r\lambda'$. The remaining π_i are determined analogously. The $\hat{\pi}_j$ are a little more involved.

Let $E=(F,L,M,S,\theta,\xi)$ denote the vector associated with a family. Let $\Pi_{HR}(w,r,E)$ = maximum profit from renting-out land at rent r and hiring-out family at wage w (Cell 1); $\Pi_R(r,E)$ = maximum profit from renting-out land given r (Cell 2); $\Pi_H(w,E)$ = maximum profit from hiring-out family members given w (Cell 4); $\Pi_N(E)$ = maximum profit with no factor market participation (Cell 5). Solving the corresponding maximization problems, we have: $\Pi_{HR}(w,r,E) = \tau^{-1}[pA]^\alpha S^\alpha M^\beta [\alpha/w]^\alpha [\beta/r]^\beta + wf + rL$, $\Pi_R(r,E) = b^{-1}[pA(F)^\alpha]^\beta S^\alpha M^\beta [\beta/r]^\beta + rL$, $\Pi_H(w,E) = a^{-1}[pAL]^\beta S^\alpha M^\beta [\alpha/w]^\alpha + wf$, and $\Pi_N(E) = pA[SF]^\alpha [ML]^\beta$, where $\tau=1/(1-\alpha-\beta)$, $a=1/(1-\alpha)$ and $b=1/(1-\beta)$. It can be shown that the maximum profit from hiring-in workers is given by the above expressions after substituting w/θ for w ; and that the maximum profit from renting-in land is given by the above expressions after substituting r/ξ for r . For example, $\Pi_{HR}(w/\theta,r,A)$ = maximum profit from hiring-in labour and renting-out land (Cell 3), while $\Pi_{HR}(w,r/\xi,A)$ = maximum profit from hiring-out labour and renting-in land (Cell 7).

Each of the hypothetical $\hat{\pi}_j$ are modelled by the maximum profit functions described above, using estimates of the factor prices the family would have paid had it participated in the appropriate market: egs. $\hat{\pi}_1 = \Pi_{HR}(w,r,E)$, $\hat{\pi}_5 = \Pi_N(E)$, $\hat{\pi}_9 = \Pi_{HR}(w/\theta,r/\xi,E)$.

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DEC 11 1991

The World Bank MEMORANDUM

RESEARCH ADMINISTRATION DEPARTMENT

DATE: December 11, 1991 06:42pm EST

TO: Julio Kipnis (JULIO KIPNIS)

FROM: Andrew Hamer, EA2EH (ANDREW HAMER)

EXT.: 84083

SUBJECT: Research Proposal On Rural Household Behavior in China.

The detesehold behavior in China's rural sector is of interest not only from an academic perspective but also from a policy-making point of view. Detailed work, using carefully collected and rigorously analyzed data sets, is rare in the Chinese context. This includes the area of rural household production and consumption decisions. Thus the proposed research is of interest to the World Bank. It provides Chinese scholars with useful tools, links local scholarly work to public policy, and provides institutions like the World Bank with a stronger basis for policy advice and associated lending conditionality.

The analytical framework, building as it does on the work of Singh, Squire, Strauss, Binswanger, Rosenzweig, and Brandt; is solid, as demonstrated by the decision to model household consumption, production, and labor supply decisions in an integrated manner.

I do worry about linking the households sampled to locations selected in the 1930's, in order to exploit the benefits of the earlier study. Given the enormous structural changes the the Chinese economy has undergoue, including the emergence of very significant urban markets, it might have been more sensible to make the choices afresh. However, only the researchers themselves can judge whether sticking to the original choices would deprive them of valuable data points.

As for the timetable proposed, I see no reason for the study to encounter unusual or unanticipated delays. My experience is the the implementation phase of any such activity in China moves very smoothly. On the budget, I am satisfied that the resources set aside for in-country work are adequate, and I have no basis for challenging thje estimated costs of work in North America.

Overall then, this is a solid and very professional piece of work. I believe it merits co-funding by the Bank.

12/9/91

Greg,

This referee report is superficial and doesn't give us the benefit of the extensive experience that I was told Hamer could bring to bear.

If I knew that he could do better, I would go back to him to ask him to do so. Julio tells me you know him: do you think a request for more work would be useful?

Cl

12/1/11

GKI - yes request
detail

I was told that
could bring to bear
if I knew that he
could do better I would
go back to him to ask
him to do so. I like the
way you know him do
you think a request
for more work would
be useful?



For new 4th
reference on Glewwe

Not pursued

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Haddad, Lawrence James. and Kanbur, S. M. Ravi. and World Bank. Office of the Vice President. Developing Economics Dept.

Are better-off households more unequal or less unequal? / Lawrence Haddad and Ravi Kanbur. Washington, D.C. : Office of the Vice President, Development Economics, World Bank, [1990] 20 p. : ill. ;

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Subjects: Income distribution. Income distribution -- Mathematical models Households.

Terms: WPSDEC

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Subjects: Family -- Latin America. Households -- Latin America. Sex role -- Latin America. Women -- Latin America -- Social conditions.

[ISN 168005]

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[ISN 158092]

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Illo, Jeanne Frances I. and Ford Foundation.

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(Women's roles and gender differences in development. Cases for planners, Asia ; no. 2)

"Report was prepared and published with funding from the Ford Foundation." Includes bibliographical references.

Subjects: Women in development -- Philippines. Irrigation -- Social aspects -- Philippines.

[ISN 154600]

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Cover title: Women, rural development : gender issues in rural household economics. "January 1989." Includes bibliographical references (p. 20-23) Variant title: Women, rural development : gender issues in rural household economics.

Subjects: Women in rural development. Households -- Economic aspects. Sexual division of labor.

[ISN 154441]

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Segal, Marcia Texler

Land and labor : a comparison of female- and male-headed households in Malawi's small-holder sector / by Marcia Texler Segal. [East Lansing,

Mich.] : Women in International Development, Michigan State University, 1986. 23 p. ;

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Subjects: Women agricultural laborers -- Malawi. Agricultural laborers -- Malawi. Women in agriculture -- Malawi.

[ISN 146894]

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Thomas, Barbara P.

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"June 1988." Bibliography: p. 21-23.

Subjects: Women's institutes -- Kenya. Rural women -- Kenya -- Economic conditions. Rural women -- Kenya -- Social conditions. Households -- Kenya.

[ISN 146858]

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LSD: WB/LSMS no. 40

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The effects of household and community characteristics on the nutrition of preschool children : evidence from rural Cote d'Ivoire / John Strauss.

Washington, D.C., U.S.A. : World Bank, c1988. vii, 42 p. ;

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Bibliography: p. 39-42.

Subjects: Children -- Cote d'Ivoire -- Nutrition. Households -- Cote d'Ivoire. Cote d'Ivoire -- Rural conditions.

Terms: PPRLSMS

[ISN 142556]

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Hausman, Jerry A. and Poterba, James M. and National Bureau of Economic

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Terms: United States -- Households -- Taxation. Tax reform.

[ISN 141892]

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Analysis of household expenditures / Angus Deaton and Anne Case.

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Subjects: Cost and standard of living. Households -- Economic aspects.

Terms: Household expenditures. OPSLSMS PPRLSMS

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Youssef, Nadia Haggag. and Hetler, Carol B.

Rural households headed by women : a priority concern for development / by Nadia H. Youssef, Carol B. Hetler ; edited by Elizabeth Eisold. Geneva : International Labour Office, 1984. vii, 125 p. : ill. ;

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Acronym: ILO

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Subjects: Women heads of households -- Developing countries. Women -- Developing countries -- Economic conditions. Women -- Developing countries -- Social conditions.

[ISN 133276]

SL Notes: Also available on WEP microfiche; filed by WEP10/WP31.

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Nash, June C.

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Subjects: Women agricultural laborers -- Developing countries. Households -- Developing countries. Women and rural development -- Developing countries. Technological innovations -- Developing countries.

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Berry, Sara S.

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Report submitted to AID/WID. Grant AID/otr-g-1953. "March 1978." Contains bibliographical references. Based on a wide ranging review of census records and academic discussions on the growing prevalence of women-headed households in developing countries. Has global scope, with data presented from all regions of the world. Reviews the difficulties in assessing the prevalence of women-headed households which has

implications for the design of census and national surveys. Discusses the determinants of the apparent increase in women-headed households due to male migration, urbanization trends etc.

Subjects: Households -- Developing countries -- Statistics. Women in development -- Developing countries.

Terms: Development. Women's participation.

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Structural adjustment and the peasantry in Morocco: a computable household model approach. UNIVERSITY OF CALIFORNIA, BERKELEY. DIVISION OF AGRICULTURE AND NATURAL RESOURCES. WORKING PAPER (U.S.) No. 577:[1]-[28], January 9, 1991. (RPF)

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Enter number of record, HELP, RETURN to continue, or EXIT:

Pong, Suet-ling

Effect of women's labor on family income inequality: the case of Hong Kong. ECONOMIC DEVELOPMENT AND CULTURAL CHANGE (U.S.) 40:[131]-52, October 1991.

HONG KONG - WOMEN. EMPLOYMENT

HONG KONG - HOUSEHOLDS. ECONOMIC ASPECTS

HONG KONG - INEQUALITY

Location: Joint Library.

[180987]

28 OF 644

Enter number of record, HELP, RETURN to continue, or EXIT:

30:170-90, April-June 1991.

ZAMBIA - PUBLIC SERVICES. RURAL AREAS

ZAMBIA - INFRASTRUCTURE

ZAMBIA - AGRICULTURAL DEVELOPMENT

ZAMBIA - RURAL FAMILIES

Location: Joint Library.

[178873]

43 OF 644

Enter number of record, HELP, RETURN to continue, or EXIT:

Garcia, Marito

Impact of female sources of income on food demand among rural households in the Philippines. QUARTERLY JOURNAL OF INTERNATIONAL AGRICULTURE (GERMANY) 30:109-24, April-June 1991.

PHILIPPINES - FOOD CONSUMPTION

PHILIPPINES - WOMEN. WAGES

PHILIPPINES - RURAL FAMILIES

Location: Joint Library.

[178869]

44 OF 644

Enter number of record, HELP, RETURN to continue, or EXIT:

KENYA - URBAN ECONOMICS

Location: Joint Library.

[176884]

75 OF 644

Enter number of record, HELP, RETURN to continue, or EXIT:

Pudney, Stephen

Income, wealth and life-cycle: a non-parametric analysis for China. UNIVERSITY OF CAMBRIDGE. DEPT. OF APPLIED ECONOMICS. DAE WORKING PAPER (UNITED KINGDOM) No. 9106:1-29, February 1991. (RPF)

CHINA, PEO. REP. OF - INCOME DISTRIBUTION

CHINA, PEO. REP. OF - WEALTH

CHINA, PEO. REP. OF - HOUSEHOLDS. ECONOMIC ASPECTS

CHINA, PEO. REP. OF - SAVING AND INVESTMENT

CHINA, PEO. REP. OF - INEQUALITY

CHINA, PEO. REP. OF - COST AND STANDARD OF LIVING

CHINA, PEO. REP. OF - DEMOGRAPHIC SURVEYS

Location: Joint Library - Research Paper File.

[176825]

76 OF 644

Enter number of record, HELP, RETURN to continue, or EXIT:

CHINA, PEO. REP. OF - INEQUALITY
CHINA, PEO. REP. OF - COST AND STANDARD OF LIVING
CHINA, PEO. REP. OF - DEMOGRAPHIC SURVEYS
Location: Joint Library - Research Paper File.

[176825]

76 OF 644

Enter number of record, HELP, RETURN to continue, or EXIT:

Dessi, Roberta

Income, occupation and education in China. UNIVERSITY OF CAMBRIDGE.
DEPT. OF APPLIED ECONOMICS. DAE WORKING PAPER (UNITED KINGDOM) No.
9107:1-35, March 1991. (RPF)
CHINA, PEO. REP. OF - EDUCATION. ECONOMIC ASPECTS
CHINA, PEO. REP. OF - INCOME
CHINA, PEO. REP. OF - HOUSEHOLDS. ECONOMIC ASPECTS
CHINA, PEO. REP. OF - OCCUPATIONS
CHINA, PEO. REP. OF - DEMOGRAPHIC SURVEYS
Location: Joint Library - Research Paper File.

[176824]

77 OF 644

Enter number of record, HELP, RETURN to continue, or EXIT:

UNITED STATES - WEALTH
UNITED STATES - HOME OWNERSHIP
UNITED STATES - HOUSES. PRICES
UNITED STATES - HOUSEHOLDS. ECONOMIC ASPECTS
Location: Joint Library.

[172483]

100 OF 644

Enter number of record, HELP, RETURN to continue, or EXIT:

Yi, Zeng and Xiaoli, Li and Zhongdong, Ma

Trend and the model schedule of leaving the parental home after marriage
in China. YALE UNIVERSITY. ECONOMIC GROWTH CENTER. DISCUSSION PAPER (U.S.)
No. 616:1-31, September 1990. (RPF)
CHINA, PEO. REP. OF - HOUSEHOLDS
CHINA, PEO. REP. OF - FAMILY SIZE
CHINA, PEO. REP. OF - MARRIAGE
CHINA, PEO. REP. OF - LABOR MARKET
Location: Joint Library - Research Paper File.

[172364]

101 OF 644

Enter number of record, HELP, RETURN to continue, or EXIT:

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: December 9, 1991 11:12am

TO: Julio Kipnis (JULIO KIPNIS)

FROM: Andrew Hamer, AS3EH (ANDREW HAMER)

EXT.: 84083

SUBJECT: Research Proposal: "The Impact of Market-Oriented Policy Reforms
on Households in Rural China"-----

With one exception cited below, I found myself in agreement with the general objectives of the study, its potential contribution to policy and project work (through the introduction of the micro dimension to what is generally macro work), and the design of the study. My one concern is the constant reference to 1930s data sets, and the apparent decision to sample only locations included in that original research. "Allowing that tail to wag the dog" could be unfortunate in this case. For example, the role of access to markets, particularly large urban centers, and the impact of contemporary transport networks, might dictate sampling a different set of rural centers than seemed relevant fifty to sixty years ago. Beyond that, I would hope that Bank resources will not be devoted to historical research, given the limited size of the research budget.

Again, those caveats aside, I think this is a worthwhile proposal and should be funded.



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

CABLE ADDRESS
INTERFUND

Mr. Julio Kipnis
Research Administration
PRE
Room S-3015
The World Bank

December 22, 1991

Dear Mr. Kipnis,

I returned from Moscow yesterday and leave for another Mission tomorrow, but have been able to look at the research proposal on "The Impact of Market Oriented Policy Reforms on Households in Rural China." A report is enclosed. While I am sympathetic to research in the area and to the overall objectives of the proposal, the current formulation is not particularly well thought out and would require a major revision---including the use of different data sources--- before providing a basis for the stated policy objectives.

Yours sincerely,

A handwritten signature in cursive script, reading "Ehtisham Ahmad".

Ehtisham Ahmad
Deputy Division Chief
Expenditure Policy
Fiscal Affairs Department

The Impact of Market Oriented Policy Reforms on Households in Rural China

The strength of this funding proposal appears to be that it might facilitate, at a third of the total cost, World Bank access to household-level survey data in North China. Note that set-up costs of the survey, as well as the entire costs of data collection, are fully covered by the National Academy of Social Sciences and the IDRC. I share the view that good household-level data is essential for an understanding of the basic relationships that underlie policy making. The existence of data from the 1930's adds another interesting dimension that would intrigue the economic historians, although one must be cautious about drawing parallels between different types of data based on quite dissimilar methods. Despite my interest in the NSS/IDRC data collection effort, I have serious misgivings about the present proposal, which appears to have been hastily appended to what might be an intrinsically useful data base.

It is not clear that World Bank participation would influence the range of issues that the IDRC/NSS exercise is designed to address, including sample choice and design. In this connection, the proposers should clearly state the objectives of the IDRC/NSS data collection. In addition to the evident economic history perspective, the choice of sample areas suggests that there is also likely to be a focus on dryland farming in North China. Both these sets of issues are eminently researchable, and I would support such work. Nonetheless there is a wide gap between these worthy pursuits and the rather comprehensive objectives that the proposal sets itself.

- (i) If one were thinking about agricultural growth and employment in China, Hebei and Liaoning are not the first provinces that would come to

mind. While these provinces are certainly not insignificant, more southerly coastal provinces, or those along the great rivers, would be rather more important for virtually all the questions raised in the funding proposal.

(ii) A related, though distinct issue, concerns the role of alternative price and tax policies in the agricultural sector. What is needed, as shown by the theory of policy reform (see the Newbery and Stern volume for the Bank), are aggregate elasticities, and again the estimation of elasticities in a rather special region of China would not be particularly helpful from the overall policy perspective.

(iii) Similarly, as far as the degree of inequality in rural China is concerned, while local inequality is likely to have widened as a result of the reforms since 1978, across region inequality is still the major determinant of overall inequality in China. Thus, concentration on selected villages in Hebei and Liaoning would not be particularly helpful in understanding the diverse patterns and causes of inequality in the rural sector of China.

The paradox referred to in the paper (p.12) comparing the present level of inequality in the rural sector of China to that in the 1930's may be explained by greater within region inequality in the 30's and lower across region dispersion. With the more equal distribution of assets at present, the reverse pattern holds, although the overall measured inequality may be similar. Unfortunately the sample selection precludes a test of alternative hypotheses in this respect.

The rationing of jobs in the non-agricultural sector has to be more precisely defined. While this is probably true in the largely urban state-controlled or dominated sector employing roughly 110 millions, there are also roughly 90 million persons in the "non-rationed" township and village enterprises, as well as 40-50 millions in the "floating" or free-market urban sector. The proposal should distinguish between these, particularly in relation to the operation of the labor market and migration, as well as consequences for inequality. It is by no means self-evident what the effect of these sub-groups will be on overall inequality.

The weakest part of the proposal is the description of methods to be utilized---surely the one area where meaningful Bank value-added would be expected, given that sample design and data collection have already been spoken for. To state that "our analytical framework will have to evolve as we go along" is simply not adequate. Perhaps the authors should reapply when they have really thought through what they would like to do, other than financing their own jaunts in China, and those of the Chinese counterparts in North America.

It is also worrying that the authors are also not fully conversant with the existing research in a number of related fields, as well as other relevant data sources. For instance, Steve Pudney at Cambridge and Athar Hussain at LSE, together with Chinese collaborators, have been working on household decision making in rural China, using a detailed sample from the Chinese Academy of Social Sciences to assess inter alia savings decisions and consumption patterns. The LSE work is being extended with a 40,000 sample from the State Statistical Bureau

(SSB), which together with the 1990 Economic Census (to adjust for biases particularly on the income side) will provide a firmer basis for national decisions than the more restricted IDRC/NSS sample. The consumption data in the SSB sample are quite robust.

If the Bank is seriously interested in the questions raised in the proposal, than it should either seek to work with the SSB data set, or even consider a better designed LSMS to address the main issues. The present proposal is a somewhat unsatisfactory halfway house.

OFFICE MEMORANDUM

RECEIVED

DEC 17 1991

RESEARCH ADMINISTRATION DEPARTMENT

③

DATE: December 13, 1991

TO: Mr. Julio Kipnis, Research Analyst, RAD

FROM: Gershon Feder, Division Chief, AGRAP

EXTENSION: 30378/79

SUBJECT: Research Proposal: "The Impact of Market-Oriented Policy Reforms on Households in Rural China"

The research agenda described in the proposal is quite ambitious. It intends to analyze economic behavior of households (input, output, consumption and labor decisions), the operation of markets (products, inputs and credit) and the equity impact of the new household-based farming system and related liberalization measures. These are all interesting topics on which expansion of knowledge would be useful. The difficulty I have with the proposal is that very little detail is being provided about how the researchers are intending to derive reliable analytical statements beyond a mere description of observed behavioral patterns.

Apparently, the authors have decided not to invest too much time at this stage in considering specific analytical approaches. Indeed, they state "our analytical framework will have to evolve as we go along", (p.12) although they refer to the Singh, Squire and Strauss (1986) household model as a starting point. It is well known that the household production-consumption model does not lead to straightforward econometric applications when markets are not perfect, as the authors point out. The authors have not attempted to discuss how they may overcome the econometric difficulties posed by the fact that both credit and input markets are subject to rationing rules, dual prices prevail in some of the product markets, restrictions on migration are present and returns to off-farm and on-farm labor are not equilibrated. Some of these problems have been tackled (one at a time) in the empirical literature, but not a combination of these. There is already a body of information which can be used for a stylized theoretical model of rural households, thus permitting a discussion of estimation procedures.

The proposal does not provide a clue on how the functioning and the role of product and factor markets will be analyzed, and on how impediments to their further expansion will be identified (a stated objective of the study).

One would expect that the existing empirical literature as well as theory would be used to generate tentative hypotheses which will guide the empirical work and will help in selection of an analytical framework which lends itself to valid econometric procedures to confirm or reject the tentative hypotheses. Very few such hypotheses are stated (implicitly) in the proposal, and no discussion of econometric procedures.

In summary, the proposal is not yet fully developed. The authors need to focus on the specific analytical framework and on the econometric procedures which are needed to produce the information they seek to provide.

RECEIVED

2

DEC 11 1991

World Bank MEMORANDUM

RESEARCH ADMINISTRATION DEPARTMENT

DATE: December 11, 1991 06:42pm EST

TO: Julio Kipnis (JULIO KIPNIS)

FROM: Andrew Hamer, EA2EH (ANDREW HAMER)

EXT.: 84083

SUBJECT: Research Proposal On Rural Household Behavior in China.

The detesehold behavior in China's rural sector is of interest not only from an academic perspective but also from a policy-making point of view. Detailed work, using carefully collected and rigorously analyzed data sets, is rare in the Chinese context. This includes the area of rural household production and consumption decisions. Thus the proposed research is of interest to the World Bank. It provides Chinese scholars with useful tools, links local scholarly work to public policy, and provides institutions like the World Bank with a stronger basis for policy advice and associated lending conditionality.

The analytical framework, building as it does on the work of Singh, Squire, Strauss, Binswanger, Rosenzweig, and Brandt; is solid, as demonstrated by the decision to model household consumption, production, and labor supply decisions in an integrated manner.

I do worry about linking the households sampled to locations selected in the 1930's, in order to exploit the benefits of the earlier study. Given the enormous structural changes the the Chinese economy has undergoe, including the emergence of very significant urban markets, it might have been more sensible to make the choices afresh. However, only the researchers themselves can judge whether sticking to the original choices would deprive them of valuable data points.

As for the timetable proposed, I see no reason for the study to encounter unusual or unanticipated delays. My experience is the the implementation phase of any such activity in China moves very smoothly. On the budget, I am satisfied that the resources set aside for in-country work are adequate, and I have no basis for challenging thje estimated costs of work in North America.

Overall then, this is a solid and very professional piece of work. I believe it merits co-funding by the Bank.

RECEIVED

DEC 11 1991

RESEARCH ADMINISTRATION DEPARTMENT

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: December 9, 1991 11:12am

TO: Julio Kipnis

(JULIO KIPNIS)

FROM: Andrew Hamer, AS3EH

(ANDREW HAMER)

EXT.: 84083

SUBJECT: Research Proposal: "The Impact of Market-Oriented Policy Reforms on Households in Rural China"

With one exception cited below, I found myself in agreement with the general objectives of the study, its potential contribution to policy and project work (through the introduction of the micro dimension to what is generally macro work), and the design of the study. My one concern is the constant reference to 1930s data sets, and the apparent decision to sample only locations included in that original research. "Allowing that tail to wag the dog" could be unfortunate in this case. For example, the role of access to markets, particularly large urban centers, and the impact of contemporary transport networks, might dictate sampling a different set of rural centers than seemed relevant fifty to sixty years ago. Beyond that, I would hope that Bank resources will not be devoted to historical research, given the limited size of the research budget.

Again, those caveats aside, I think this is a worthwhile proposal and should be funded.

3473/1
①

DEVELOPMENT RESEARCH CENTER
DEPARTMENT OF RURAL ECONOMIC DEVELOPMENT
XIHUANGCHENGGEN NANJIE NO.9, BEIJING 100032, CHINA
FAX: 86-1-601-3530 TEL: 86-1-602-1319

RECEIVED

JUSTIN YIFU LIN
DEPUTY DIRECTOR

December 6, 1991

DEC 05 1991

Mr. Julio Kipnis
Research Administration
Policy, Research, and External Affairs
Room S-3015, the World Bank
1818 H Street, N.W.
Washington, D.C. 20433
Fax: 1-202-477-0955

RESEARCH ADMINISTRATION DEPARTMENT

Dear Mr. Kipnis:

Enclosed please find my report on the research proposal on "The Impact of Market Oriented Policy Reforms on Households in Rural China." As you can see from my report, I think the project very supportable.

I shall visit UCLA for three months starting from the first of January, 1992. Please send the honorarium to the address as follows:

Professor Justin Yifu Lin
Economics Department
The University of California, Los Angeles
405 Hilgard Avenue
Los Angeles, California 90024-1477
Fax: 310-206-2313

My best regards.

Sincerely yours,


Justin Yifu Lin

Enclosure.

Reports on the Proposal on
Impact of Marketed Oriented Policy Reform
on Households in Rural China

The proposal is seeking funds from the World Bank to partly support a household-level survey in two provinces in North China. Over two-thirds of the costs for the entire project will be provided by grants from CSCPRC and IDRC. In my judgement, the budget is modest and the result of the project will make an important contribution to both policy and academic researchers on Chinese economy.

Most studies in the past on Chinese economy were descriptive in nature. The main reason for this phenomenon is the lack of appropriate data. Before recent reforms, Chinese government did not publish detailed cross-sectional statistics. Most China specialists in the West, therefore, spent a substantial portion of their efforts to piece together scattered information. A sophisticated analysis was impossible due to the crudeness of their data. After the reforms in 1979, the Chinese government starts to publish various statistical yearbooks with provincial level information. Rigorous statistical analyses on national trends start to appear. However, studies on household behaviors are still rare because of the lack of micro-level data. The Chinese State Statistical Bureau has conducted a nationwide survey of rural and urban households since 1979. But data from the survey are not released for public. Chinese economy is on the process of reforms. Market exchanges on products and factors are impeded in many ways. Studies on household behaviors under such an inhibited environment are important not only for satisfying academic curiosity but also for designing public policies in China. The types of studies are also valuable for designing the World Bank's loans and aids to China.

Except for a few small surveys with grants from the World Bank and other outside funding agencies, Western scholars still have no access to household-level data in China. The project attempts to conduct a survey of 1200-1500 households in 24 villages in two province. After completing, this data set is certainly one of the largest and most comprehensive available for researchers outside China. Compared to previous Bank-supported surveys in China, this project has several merits:

- 1) The survey is modeled after the World Bank's Living Standard Measurement Study surveys. The data collected in this way can be easily compared with other LSMS data collected by the World Bank.

- 2) The household survey is supplemented by a village-level time-series data dating back to Land Reform. The survey will also cover some villages that were investigated sixty years ago. This design is very innovative. With the historical data, it is easier to interpret and understand the spot household-level information. This also makes the studies of some dynamic issues possible.

3) The collaborative Institute, Economic Research Center of the State Planning Commission is very respected and powerful in China. Its commitment to this project will prove to be an asset for the project.

In addition to the data set, the research team hopes to complete several papers on topics concerning the functions of rural markets, household-level decision-making, and income distribution. Although they have not presented a conceptual framework about the behaviors of rural household under the specific institutional constraints in China and any hypothesis to be tested, Loren Brandt and Barbara Sands have demonstrated in their previous works to have good command of economic modeling and econometric testing. I have no doubt that their papers from this project will make an important contribution to the knowledge of China's rural economy in the reform period.

November 20, 1991

Mr. S. Ehtisahm U. Ahmad
3121 Bich Street, N.W.
Washington, D.C. 20015

Dear Mr. Ahmad:

Thank you for agreeing to review the enclosed research proposal on "The Impact of Market Oriented Policy Reforms on Households in Rural China," which was submitted to the Research Committee of the World Bank for funding consideration. The Committee is seeking your views and comments as an external referee, with assurances that all reasonable care will be taken to maintain anonymity. In preparing your report please keep in mind that the sponsor will have an opportunity to read and respond to your report as you wrote it, without any editing of the text. Therefore, please omit any references to prior work, missions or publications that may identify you either directly or indirectly.

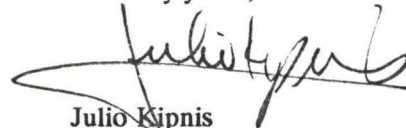
The following questions may serve as guidelines for your review:

- i) Are the goals or objectives of the proposed study well defined?
- ii) What is the relationship of the study to past or current research on the same subject? What is the expected contribution to knowledge of development processes or to policy and project work in developing countries?
- iii) Is the study adequately designed to deal with the issues that it raises? Are the hypothesis to be tested and the methods of analysis well defined? To what extent does the theoretical approach differ from or improve upon those of previous studies? What do you think of the nature of and reliability of the data used? Of the design of the work program and the sequencing of the research tasks?
- iv) Any other issues you deem to be of significance in evaluating this study.

The Bank will pay you an honorarium of \$300 for your report. As agreed, you will send me your report no later than December 23, 1991. My telephone number is (202) 473-1063. In case you wish to fax your report, our fax number is (202) 477-0955.

Again, many thanks and best wishes.

Sincerely yours,



Julio Kipnis
Research Administration
Policy, Research, and External Affairs
Room S-3015

:et

Enclosure

OFFICE MEMORANDUM

DATE: November 18, 1991

TO: Mr. Gershon Feder, AGRAP

FROM: Julio Kipnis, RAD

EXTENSION: 31063

SUBJECT: Research Proposal: "The Impact of Market-Oriented Policy Reforms on Households in Rural China"

Thank you for agreeing to review the enclosed research proposal on "The Impact of Market-Oriented Policy Reforms on Households in Rural China," which was submitted to the Research Committee of the World Bank for funding consideration. The Committee is seeking your views and comments as an internal referee, with assurances that all reasonable care will be taken to maintain anonymity. In preparing your report please keep in mind that the sponsor will have an opportunity to read and respond to your report as you wrote it, without any editing of the text. Therefore, please omit any references to prior work, missions or publications that may identify you either directly or indirectly.

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- iv) Any other issues you deem to be of significance in evaluating this study.

As agreed, I should expect to receive your report no later than December 15, 1991. In case you wish to fax your report, our fax number is 477-0955. Once again, many thanks for your help!

:et

Enclosure

November 18, 1991

Mr. Justin Lin
c/o World Bank Field Office, China
P.O. Box 802
Beijing 10083
CHINA

Dear Mr. Lin:

Thank you for agreeing to review the enclosed research proposal on "The Impact of Market Oriented Policy Reforms on Households in Rural China," which was submitted to the Research Committee of the World Bank for funding consideration. The Committee is seeking your views and comments as an external referee, with assurances that all reasonable care will be taken to maintain anonymity. In preparing your report please keep in mind that the sponsor will have an opportunity to read and respond to your report as you wrote it, without any editing of the text. Therefore, please omit any references to prior work, missions or publications that may identify you either directly or indirectly.

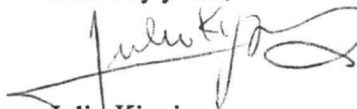
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- iv) Any other issues you deem to be of significance in evaluating this study.

The Bank will pay you an honorarium of \$300 for your report. As agreed, you will send me your report no later than December 6, 1991. My telephone number is (202) 473-1063. In case you wish to fax your report, our fax number is (202) 477-0955.

Again, many thanks and best wishes.

Sincerely yours,



Julio Kipnis
Research Administration
Policy, Research, and External Affairs
Room S-3015

:et

Enclosure

OFFICE MEMORANDUM

DATE: November 18, 1991

TO: Mr. Andrew Hamer, AS3EH

FROM: Julio Kipnis, RAD

EXTENSION: 31063

SUBJECT: Research Proposal: "The Impact of Market-Oriented Policy Reforms on Households in Rural China"

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- iv) Any other issues you deem to be of significance in evaluating this study.

As agreed, I should expect to receive your report no later than December 2, 1991. In case you wish to fax your report, our fax number is 477-0955. Once again, many thanks for your help!

:et

Enclosure

OFFICE MEMORANDUM

DATE: November 18, 1991

TO: Mr. Attila Sonmez, Chief, Resident Mission Beijing, China

FROM: Julio Kipnis, RAD

EXTENSION: 31063

SUBJECT: Research Proposal for Mr. Justin Lin

Mr. Justin Lin kindly agreed to serve as a reviewer for the attached research proposal on "Impact of Market Oriented Policy Reforms on Households in Rural China." I mentioned to Mr. Lin over the phone, that to expedite the review process, your office will advise him that the proposal arrived. Also, I would appreciate if you could fax to me Mr. Lin's report as soon as he has it ready. Mr. Justin Lin could be reached at 201-6890. My fax number is (202) 477-0955 and phone number is (202) 473-1063.

Once more thank you very much for your cooperation in this matter.

JK:et

Enclosure

I.d. by principal supervisor please

Referees' List

Impact of Market-Oriented Policy Reform on Households in Rural China

Internal

External

- 1 Gershon Feder (AGRAP) ✓
- 2 Hans Binswanger (LA2AG) ✓
- 3 Dipak Mazumdar (EDI) ✓
- 4 Simon Commander (EDI) ✓
- 5 Andrew Hamer (Principal Sector Economist in Asia's Environment, Human Resources and Urban Dev. Has a micro orientation)

- 3 Ehtisham Ahmad
- 4 Gary Jefferson (Brandeis)
- 5 Qian, Yingyi (was at IMF)
- 1 Lin, Justin Yifu (Yale?)
- 2 Mark Rosenzweig (Minn.)

He may say no, but can suggest names

See 4

Macro

30378
31891
36107
36293
84883

back 1/2
back 1/4
back 1/2

11/1/91

Dipak Mazumdar } EDI
Simon Commander }

Factor markets }
income inequality } China
household behavior }

Consultant files
IMF
EDCC

REVIEWERS

1. Justin Yifu Lin, Development Research Center, Univ. of California, Los Angeles
2. Andrew Hamer, EA2EH
3. Gershon Feder, AGRAP
4. Ehtisham Ahmad, International Monetary Fund

Reports on the Proposal on
Impact of Marketed Oriented Policy Reform
on Households in Rural China

The proposal is seeking funds from the World Bank to partly support a household-level survey in two provinces in North China. Over two-thirds of the costs for the entire project will be provided by grants from CSCPRC and IDRC. In my judgement, the budget is modest and the result of the project will make an important contribution to both policy and academic researchers on Chinese economy.

Most studies in the past on Chinese economy were descriptive in nature. The main reason for this phenomenon is the lack of appropriate data. Before recent reforms, Chinese government did not publish detailed cross-sectional statistics. Most China specialists in the West, therefore, spent a substantial portion of their efforts to piece together scattered information. A sophisticated analysis was impossible due to the crudeness of their data. After the reforms in 1979, the Chinese government starts to publish various statistical yearbooks with provincial level information. Rigorous statistical analyses on national trends start to appear. However, studies on household behaviors are still rare because of the lack of micro-level data. The Chinese State Statistical Bureau has conducted a nationwide survey of rural and urban households since 1979. But data from the survey are not released for public. Chinese economy is on the process of reforms. Market exchanges on products and factors are impeded in many ways. Studies on household behaviors under such an inhibited environment are important not only for satisfying academic curiosity but also for designing public policies in China. The types of studies are also valuable for designing the World Bank's loans and aids to China.

Except for a few small surveys with grants from the World Bank and other outside funding agencies, Western scholars still have no access to household-level data in China. The project attempts to conduct a survey of 1200-1500 households in 24 villages in two province. After completing, this data set is certainly one of the largest and most comprehensive available for researchers outside China. Compared to previous Bank-supported surveys in China, this project has several merits:

- 1) The survey is modeled after the World Bank's Living Standard Measurement Study surveys. The data collected in this way can be easily compared with other LSMS data collected by the World Bank.

- 2) The household survey is supplemented by a village-level time-series data dating back to Land Reform. The survey will also cover some villages that were investigated sixty years ago. This design is very innovative. With the historical data, it is easier to interpret and understand the spot household-level information. This also makes the studies of some dynamic issues possible.

3) The collaborative Institute, Economic Research Center of the State Planning Commission is very respected and powerful in China. Its commitment to this project will prove to be an asset for the project.

In addition to the data set, the research team hopes to complete several papers on topics concerning the functions of rural markets, household-level decision-making, and income distribution. Although they have not presented a conceptual framework about the behaviors of rural household under the specific institutional constraints in China and any hypothesis to be tested, Loren Brandt and Barbara Sands have demonstrated in their previous works to have good command of economic modeling and econometric testing. I have no doubt that their papers from this project will make an important contribution to the knowledge of China's rural economy in the reform period.

The detesehold behavior in China's rural sector is of interest not only from an academic perspective but also from a policy-making point of view. Detailed work, using carefully collected and rigorously analyzed data sets, is rare in the Chinese context. This includes the area of rural household production and consumption decisions. Thus the proposed research is of interest to the World Bank. It provides Chinese scholars with useful tools, links local scholarly work to public policy, and provides institutions like the World Bank with a stronger basis for policy advice and associated lending conditionality.

The analytical framework, building as it does on the work of Singh, Squire, Strauss, Binswanger, Rosenzweig, and Brandt; is solid, as demonstrated by the decision to model household consumption, production, and labor supply decisions in an integrated manner.

I do worry about linking the households sampled to locations selected in the 1930's, in order to exploit the benefits of the earlier study. Given the enormous structural changes the the Chinese economy has undergove, including the emergence of very significant urban markets, it might have been more sensible to make the choices afresh. However, only the researchers themselves can judge whether sticking to the original choices would deprive them of valuable data points.

As for the timetable proposed, I see no reason for the study to encounter unusual or unanticipated delays. My experience is the the implementation phase of any such activity in China moves very smoothly. On the budget, I am satisfied that the resources set aside for in-country work are adequate, and I have no basis for challenging thje estimated costs of work in North America.

Overall then, this is a solid and very professional piece of work. I believe it merits co-funding by the Bank.

The research agenda described in the proposal is quite ambitious. It intends to analyze economic behavior of households (input, output, consumption and labor decisions), the operation of markets (products, inputs and credit) and the equity impact of the new household-based farming system and related liberalization measures. These are all interesting topics on which expansion of knowledge would be useful. The difficulty I have with the proposal is that very little detail is being provided about how the researchers are intending to derive reliable analytical statements beyond a mere description of observed behavioral patterns.

Apparently, the authors have decided not to invest too much time at this stage in considering specific analytical approaches. Indeed, they state "our analytical framework will have to evolve as we go along", (p.12) although they refer to the Singh, Squire and Strauss (1986) household model as a starting point. It is well known that the household production-consumption model does not lead to straightforward econometric applications when markets are not perfect, as the authors point out. The authors have not attempted to discuss how they may overcome the econometric difficulties posed by the fact that both credit and input markets are subject to rationing rules, dual prices prevail in some of the product markets, restrictions on migration are present and returns to off-farm and on-farm labor are not equilibrated. Some of these problems have been tackled (one at a time) in the empirical literature, but not a combination of these. There is already a body of information which can be used for a stylized theoretical model of rural households, thus permitting a discussion of estimation procedures.

The proposal does not provide a clue on how the functioning and the role of product and factor markets will be analyzed, and on how impediments to their further expansion will be identified (a stated objective of the study).

One would expect that the existing empirical literature as well as theory would be used to generate tentative hypotheses which will guide the empirical work and will help in selection of an analytical framework which lends itself to valid econometric procedures to confirm or reject the tentative hypotheses. Very few such hypotheses are stated (implicitly) in the proposal, and no discussion of econometric procedures.

In summary, the proposal is not yet fully developed. The authors need to focus on the specific analytical framework and on the econometric procedures which are needed to produce the information they seek to provide.

While I am sympathetic to research in the area and to the overall objectives of the proposal, the current formulation is not particularly well thought out and would require a major revision---including the use of different data sources--- before providing a basis for the stated policy objectives.

The Impact of Market Oriented Policy Reforms on Households in Rural China

The strength of this funding proposal appears to be that it might facilitate, at a third of the total cost, World Bank access to household-level survey data in North China. Note that set-up costs of the survey, as well as the entire costs of data collection, are fully covered by the National Academy of Social Sciences and the IDRC. I share the view that good household-level data is essential for an understanding of the basic relationships that underlie policy making. The existence of data from the 1930's adds another interesting dimension that would intrigue the economic historians, although one must be cautious about drawing parallels between different types of data based on quite dissimilar methods. Despite my interest in the NSS/IDRC data collection effort, I have serious misgivings about the present proposal, which appears to have been hastily appended to what might be an intrinsically useful data base.

It is not clear that World Bank participation would influence the range of issues that the IDRC/NSS exercise is designed to address, including sample choice and design. In this connection, the proposers should clearly state the objectives of the IDRC/NSS data collection. In addition to the evident economic history perspective, the choice of sample areas suggests that there is also likely to be a focus on dryland farming in North China. Both these sets of issues are eminently researchable, and I would support such work. Nonetheless there is a wide gap between these worthy pursuits and the rather comprehensive objectives that the proposal sets itself.

(i) If one were thinking about agricultural growth and employment in China, Hebei and Liaoning are not the first provinces that would come to

mind. While these provinces are certainly not insignificant, more southerly coastal provinces, or those along the great rivers, would be rather more important for virtually all the questions raised in the funding proposal.

(ii) A related, though distinct issue, concerns the role of alternative price and tax policies in the agricultural sector. What is needed, as shown by the theory of policy reform (see the Newbery and Stern volume for the Bank), are aggregate elasticities, and again the estimation of elasticities in a rather special region of China would not be particularly helpful from the overall policy perspective.

(iii) Similarly, as far as the degree of inequality in rural China is concerned, while local inequality is likely to have widened as a result of the reforms since 1978, across region inequality is still the major determinant of overall inequality in China. Thus, concentration on selected villages in Hebei and Liaoning would not be particularly helpful in understanding the diverse patterns and causes of inequality in the rural sector of China.

The paradox referred to in the paper (p.12) comparing the present level of inequality in the rural sector of China to that in the 1930's may be explained by greater within region inequality in the 30's and lower across region dispersion. With the more equal distribution of assets at present, the reverse pattern holds, although the overall measured inequality may be similar. Unfortunately the sample selection precludes a test of alternative hypotheses in this respect.

The rationing of jobs in the non-agricultural sector has to be more precisely defined. While this is probably true in the largely urban state-controlled or dominated sector employing roughly 110 millions, there are also roughly 90 million persons in the "non-rationed" township and village enterprises, as well as 40-50 millions in the "floating" or free-market urban sector. The proposal should distinguish between these, particularly in relation to the operation of the labor market and migration, as well as consequences for inequality. It is by no means self-evident what the effect of these sub-groups will be on overall inequality.

The weakest part of the proposal is the description of methods to be utilized---surely the one area where meaningful Bank value-added would be expected, given that sample design and data collection have already been spoken for. To state that "our analytical framework will have to evolve as we go along" is simply not adequate. Perhaps the authors should reapply when they have really thought through what they would like to do, other than financing their own jaunts in China, and those of the Chinese counterparts in North America.

It is also worrying that the authors are also not fully conversant with the existing research in a number of related fields, as well as other relevant data sources. For instance, Steve Pudney at Cambridge and Athar Hussain at LSE, together with Chinese collaborators, have been working on household decision making in rural China, using a detailed sample from the Chinese Academy of Social Sciences to assess inter alia savings decisions and consumption patterns. The LSE work is being extended with a 40,000 sample from the State Statistical Bureau

(SSB), which together with the 1990 Economic Census (to adjust for biases particularly on the income side) will provide a firmer basis for national decisions than the more restricted IDRC/NSS sample. The consumption data in the SSB sample are quite robust.

If the Bank is seriously interested in the questions raised in the proposal, than it should either seek to work with the SSB data set, or even consider a better designed LSMS to address the main issues. The present proposal is a somewhat unsatisfactory halfway house.

Proposal

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION
OFFICE MEMORANDUM

DATE: November 6, 1991
TO: Gregory Ingram, RAD
FROM: Paul Glewwe, PHRWH

EXTENSION: 31102

SUBJECT: Research Proposal on Household Behavior in Rural China

RECEIVED

NOV 07 1991

RESEARCH ADMINISTRATION DEPARTMENT

Enclosed are 15 copies of a new research proposal on the economic behavior of rural households in two provinces of China. This proposal will be done in collaboration with Loren Brandt at the University of Toronto and Barbara Sands at the University of Arizona. Unlike most research proposals, most of the money for this exercise has already been obtained from other sources, but additional funding from the Bank is still essential.

I must also plead for as quick a turn-around as possible because Loren Brandt is going to China in early December and needs to know whether or not Bank funding will be available in order to beginning planning with our Chinese colleagues. Of course, we alone are to blame for getting this in so late, and the timing of the response is for the most part beyond your control, but anything you can do in this respect will be greatly appreciated.

Please contact me if you have any questions, and thank you for taking care of this.



Record Removal Notice



File Title Project Management Records - Impact of Market - Oriented Policy Reforms on Households in Rural China - RPO # 677-16 - Correspondence		Barcode No. 1674602		
Document Date N/A	Document Type Form			
Correspondents / Participants Emmanuel Jimenez, Chief, PHRWH; Mrs. Ann O. Hamilton, PHRDR				
Subject / Title The World Bank Research Program Request for Research Support Budget (RSB) Funding				
Exception(s) Personal Information Corporate Administrative Matters				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date April 19, 2017</td></tr></table>	Withdrawn by Shiri Alon	Date April 19, 2017
Withdrawn by Shiri Alon	Date April 19, 2017			

OFFICE MEMORANDUM

DATE: November 5, 1991

TO: Mr. Paul Glewwe, PHRWH

FROM:  Shahid Yusuf, Lead Economist, AS3DR

EXTENSION: 82339

SUBJECT: Research Proposal on Household Behavior in China

1. A robust analysis of the various determinants of agricultural output growth in China is badly needed. The conventional wisdom explains recent movements in output with reference to relative prices, marketing and leasehold reforms, fertilizer availability, varietal improvements, investment in water management and weather patterns. However, we have tended to neglect certain other factors which might already play a significant role and could bulk larger in the future. These are household labor supply, other allocative decisions by individuals, ownership rights and patterns of migration.

2. The merit of your proposed study on market oriented policy reforms and their impact on Chinese households, is that it promises to reveal how the microstructure of household decisions could affect the movements of production and productivity at the aggregate level.

3. The China Department's interest in this research is three fold: first, at the aggregate level what is the contribution of labor supply, household investment and nature of leasehold rights to changes in agricultural output. Second, how have recent reforms influenced household labor allocation and the building of capital; and lastly, how should household behavior be factored into agricultural policymaking.

4. We support this research and hope that you and your collaborators will use the information gathered to shed new light on both agricultural performance in North China as well as on the direction of future policies.

cc: Messrs. Burki, Pearce, Goldberg, Harrold, Piazza

SYusuf:hk

Impact of Marketed Oriented Policy Reform on Households in Rural China

Summary

The general objective of this project is to carry out a rigorous analysis of household-decision making in rural China. With the introduction of the household responsibility system and the implementation of a series of market-oriented reforms, rural household behavior has once again become extremely important to performance in the rural sector and to successful policy formulation. More than a decade into the reform process, however, we have only recently begun to analyze key dimensions of household decision-making (e.g. migration and labor supply decisions, consumption, investment, production, and marketing) and, through this channel, the influence of existing political and newly emerging market institutions on productivity and income distribution in the rural sector.

The proposal constitutes a comprehensive micro-level based investigation of rural household decision-making and the evolution and functioning of rural market institutions. The research has three major components:

1. Investigation of the functioning and role played by emerging product and factor (land, labor, and credit) markets in directing resource allocation throughout the rural sector, as well as analysis of any impediments to their further expansion.
2. An analysis in this new environment of the interaction of farm household consumption, production, and labor supply decisions, and their effect on agricultural productivity and the marketed surplus of agricultural output.
3. Examination of the impact of the reintroduction of a household-based farming system, and market liberalization, on income distribution in rural China, including an assessment of the underlying determinants of inter- and intra-village income inequality.

These questions will be addressed through the implementation of a multi-purpose household-level survey modeled after the World Bank's Living Standard Measurement Study (LSMS) surveys, and the rigorous analysis of the household and village-level data that will be collected. This household-level survey, which will be undertaken in the provinces of Hebei and Liaoning, will be carried out in the Spring of 1993, and will extend to between 1200-1500 households in 24 villages. Most of the funding for implementation of the survey has already been obtained from the CSCPRC (Committee for Scholarly Communication with the People's Republic of China) and IDRC (International Development Research Centre, Ottawa, Canada.)

This project will contribute to policy-making in several ways. First, it will help to identify those factors at the local level that are presently impeding an expansion in the role of product and factor markets in resource allocation in the rural sector, and provide estimates of the resulting inefficiency. Impressionistic evidences suggest that the costs of imperfections in the land or labor market may be high. Second, with elasticities obtained from the construction of an agricultural household model, the implications of alternative price and tax policies in the agricultural sector can be investigated, and better policies formulated. Third, drawing on the household and village level data, estimates of the degree of inequality both in consumption and income at the local level can be obtained, and sources of the inequality diagnosed. And fourth, drawing on time-series data dating back to the Land Reform, the implications of alternative policies for agriculture's long-term development will be investigated. This kind of analysis will not only help to resolve lingering questions relating to the impact of rural reforms on productivity and growth, but will be of much wider interest now that Eastern Europe and the Soviet Union are embarking on a similar path.

Several products will emerge from this research project. The first will be papers related to the project's three main areas of inquiry, including: 1. An analysis of the functioning and influence of rural product and factor markets on rural household resource allocation; 2. A study on contract terms under the responsibility system and administrative constraints on household behavior; 3. Investigation of household labor supply and rural-urban migration decisions; 4. An examination of the interaction of key dimensions of household decision-making, and their influence on productivity growth and market surplus; and 5. Estimation of the degree of income inequality in the rural sector and identification of its major causes. Second, a monograph is planned that ties together these papers into a comprehensive assessment of household decision-making under market liberalization and analyses developments of the last decade in light of the evolution of Chinese agriculture since Land Reform. Finally, a series of papers or monograph is planned that compares the project's findings with the results of an equally detailed investigation of some of the same North China villages based on data from the 1930s.

I. Objectives and Strategy

A. Research Problem

A little more than a decade ago, the Chinese government embarked on a radical program of rural reform that entailed the wholesale reorganization of the countryside. Motivated by a long-term deterioration in agricultural performance, the government dissolved collectives, introduced a household-based farming system, and substantially widened the role of the market. After an initial acceleration in the annual rate of growth in agriculture to nearly 8 percent, by 1985 growth rates had suddenly slowed to pre-reform levels (4 percent)¹, producing new concerns regarding the distributional consequences, and more generally, the viability of the reforms and market liberalization.

Chinese policymakers now face the difficult task of forging an agricultural strategy that not only delivers high rates of productivity and output growth, but simultaneously deals with the distribution issue. One important strategy is to expand the technological potential of agriculture (Rozelle, 1990). Yet, as the experience of the pre-reform era makes clear, continued technological progress is by itself not sufficient--despite rapid dissemination of new high-yielding varieties and increased usage of modern inputs--productivity growth actually faltered in the sixties and seventies. (Tang and Stone, 1985) Today, with both production and distribution in the countryside increasingly--but not totally--privatized, the economic

¹. Between 1979-1984, gross value of agricultural output (GVAO) grew by 7.9 percent, and crop production by 6.8 percent. In contrast, over the next five years, GVAO increased only 3.8 percent, while crop production growth fell to a meager 1.1 percent. Zhongguo tongji zhaiyao, 1989, p. 53. Preliminary estimates for 1990 suggest growth in excess of six percent, but much of this may be linked to economic retrenchment at the macro level (Sicular, 1990).

behavior of Chinese rural households and the working of rural market institutions (product markets as well as credit, labor, and secondary land markets) have become equally important to any analysis of the rural sector and to successful policy formulation and implementation.

Analyses at the aggregate level of China's agricultural performance in the 1980's can provide a conventional wisdom regarding observed trends. For example, the slowdown in grain output after 1984 could be attributed to reduced purchase prices and slow growth in fertilizer availability, while recent (1989-90, 1990-91) bumper crops might be attributed to higher prices and better weather. Yet aggregate analyses overlook potentially important phenomena which are best examined at a much more disaggregated level, particularly the influence emerging labor, credit and land markets on household behavior. Household-level analyses are important because they can carefully examine the role played by these three factor markets, and as such can confirm, modify, or in some cases even reverse the findings of aggregate level analyses. Confirmations, modifications and reversals can all have important policy implications at the aggregate level. In addition, household level analyses are needed to examine distributional issues, in particular the relationship (if any) between inequality and productivity.

Despite a rapidly expanding literature on post-reform Chinese agriculture,² systematic examination of the behavior of rural households, their interaction with existing political and newly emerging market institutions, and impediments to the market's further expansion has

² See, for example, the collection of papers in the December 1988 China Quarterly.

been largely absent.³ For example, we have only limited information on individual household labor supply and rural-urban migration decisions, or for that matter, consumption, savings and investment behavior, despite the fact that all are extremely important to long-run agricultural productivity and income distribution.⁴ The same can be said of the evolution and functioning of rural product and factor markets (especially rural labor and credit markets, and now in some areas the market for sub-leasing of land) and, in turn, the nature of their growing influence on farm household decision-making, income distribution, and economic growth in the countryside.

While this neglect may be partially attributed to the fact that much of our attention during the last decade has been drawn to the larger political economy issues of the reform process (Perry and Wong, 1985), from our perspective a more serious constraint has loomed: the lack of available household-level data suitable for empirical investigation. Although there certainly are some exceptions, the rural surveys that have been recently undertaken--by the Chinese as well those in collaboration with Westerners--have frequently focused on only one or two dimensions of household behavior, and often tend to be of relatively poor quality, lacking proper probability samples, adequately conceptualized and designed questionnaires, and in some cases, the use of trained and experienced enumerators (Rosen and Chu, 1987).

This project takes an important step in filling this void. Taking as our point of

³ Feder et. al. (1989, 1990), however, provides an excellent examination of credit markets. For a general discussion on how local political factors appear to be constraining market liberalization, see Nee (1989).

⁴ Sicular's (1990b) recent observation that much of the decrease in growth rates since 1984 may be due to a decline in household labor supply caused by falling relative profitability of farming activity suggests as much.

departure the World Bank's Living Standards Measurement Study (LSMS) household survey methodology, the core of this proposal is a rigorous analysis of a carefully conducted multi-purpose rural household survey, supplemented by village-level questionnaires. The survey, which will be undertaken in the provinces of Hebei and Liaoning, will be carried out by a three member team from North America in collaboration with the Economic Research Center (ERC) of the State Planning Commission and its Institute of National Land Planning. North American team members include Loren Brandt, Department of Economics, University of Toronto, Paul Glewwe, World Bank, and Barbara Sands, Department of Economics, University of Arizona. Funding for most of the data collection costs has already been obtained from the U.S. Committee for Scholarly Communication with the People's Republic of China (CSCPRC) and Canada's International Development Research Center (IDRC). In this proposal we are asking the World Bank to fund the remainder of the data collection costs and a large portion of the analyses costs.

B. Research Objectives

Our ultimate objectives are two-fold: 1) undertake a systematic analysis of household decision-making in rural China in the post-reform era, most notably decisions relating to farm production, marketing, investment, and labor supply decisions, and their interaction with emerging market institutions; and 2) to assess the implications of household behavior for long-run, productivity growth in agriculture and for income distribution in the rural sector. This information will allow one to better judge the possible outcomes of various policy

options.

To fulfill these objectives, the project's three major areas of inquiry will be:

1. Investigation of the functioning and role played by emerging product and factor (land, labor, and capital) markets in directing resource allocation throughout the rural sector, as well as analysis of any impediments to their further expansion.
2. An analysis in this new environment of the interaction of farm household consumption, investment, production, and labor supply decisions, and their effect on agricultural productivity and the marketed surplus of agricultural output.
3. Examination of the impact of the reintroduction of a household-based farming system and market liberalization on income distribution in rural China, including an assessment of the underlying determinants of inter- and intra-village income inequality.

C. Relationship to other research:

During the 1980s much of the research on Chinese agriculture was concerned with analyzing the larger political economy issues of rural reform and tracking, almost exclusively at the national level, the impact of a sequence of major policy changes dating back to 1978.⁵ Notable contributions addressing the latter issue include Lin (1989a, 1989b) and McMillan, Whalley, and Zhu (1989). Using standard growth accounting techniques, these studies estimate the degree to which the impressive gains recorded between 1978-1984 were the

⁵. See, for example, Perry or Wong (1985), or the papers in the December 1988 China Quarterly. Sicular (1990a) discusses major changes regarding pricing.

product of changes in farm-level organization as opposed to changes in commercial policy and technology. Both single out the incentive effects of the institutional change and pricing policy on effective farm labor supply, and the latter's contribution to growth. As for the last half of the eighties, Lin's analysis suggests that much of the reduction in the growth rate is a consequence of a reduced farm labor supply, and falling total factor productivity.

Unfortunately, analyses at the aggregate level suffer from severe data limitations which could jeopardize econometric estimates of the causes of increased productivity in agriculture. First, some variables are measured crudely, which made lead to measurement error in parameter estimates. An example of this is labor supply, which in aggregate analyses is measured in terms of the number of people engaged in farming with no account taken for changes in the time actually spent in farming activities. Second, other variables cannot be measured at all at the aggregate level, and their absence may lead to omitted variable bias of the parameters on those variables which are observed at the aggregate level. Examples of difficult to observe variables are credit availability and property rights. Third, use of aggregate data generally limits one to very small sample sizes, which necessarily entails only rough estimates of the underlying model. Use of household level data should overcome these difficulties, and should also lead to a more direct understanding of how responses by rural households in China to changes in the policy environment.

Because of these difficulties with aggregate-level analysis, there is a need for micro-level based investigations of household decision-making to study the influence of institutional and policy changes on farm inputs, productivity, investment, marketing, and so forth. This

kind of analysis is essential to identifying the forces underlying aggregate trends.⁶ Moreover, aside from limited analysis utilizing provincial-level data (e.g. Lyons, 1990), cross-sectional differences--such as those at the village or county level--which historically have often been very pronounced in China, have been largely ignored.

Because of this need, the focus of attention has shifted to micro-economic analyses. Recent research by Feder et. al. (1989, 1990) and West (1991), for example, draws on household-level agricultural data for select areas of rural China to investigate the functioning of rural credit markets. Both studies find segmentation between the formal and informal credit markets, while Feder et. al. argue that in two of the three areas they investigated credit constraints adversely influenced agricultural performance, although not overwhelmingly so. Household-level surveys recently completed in southern Guangdong by Terry Sicular of Harvard University, and by Scott Rozelle of Stanford in over twenty counties in four provinces will soon be put to use to examine several dimensions of farm household decision-making. Rozelle, for example, is primarily concerned with hybrid rice adoption and the influence of local cadres on farm household behavior (1990). Income data on more than 20,000 households have also recently been compiled in a project funded by the Ford Foundation and headed up by Keith Griffin and Chao Renwei to investigate poverty and income distribution in China.

These projects can be credited with substantially expanding the pool of rural household-level data. In key respects, however, each survey is limited: the Sicular and

⁶ See Feder et. al. (1988) for an example of how household-level analysis can be put to use in this way.

Rozelle surveys, for example, are restricted to farming households and collected minimum household expenditure data. The Feder et. al. investigation (RPO 674-34), on the other hand, while larger in size than either the Sicular or Rozelle surveys, only sampled households from three counties in two provinces. Despite these shortcomings, these projects will complement our investigation in that each provides valuable insight into the functioning of local markets and the ramifications of their inefficiencies.

Finally, our research project is related to ongoing work by several team members on the rural economy of North China during the 1930s. This research provides a valuable historical baseline for our investigation, and used in conjunction with village-level (formerly collective) time-series data for the post-1949, will enable us to supplement the project's cross-sectional investigation with modest longitudinal analysis.

D. Expected Contributions

There are several ways in which this project distinguishes itself from ongoing work on rural household behavior in China. First, it's much more comprehensive. Rather than focusing on a single dimension of household decision-making, we are concerned with a wide variety of household decisions that bear on productivity growth and income distribution, and the links between them. This much wider interest is immediately reflected in the questionnaire design of our survey, which follows in key respects the format of LSMS. Our analysis is also extended to nonfarming households, who have become and will continue to

be an increasing percentage of the rural population.⁷ Questions of labor market development and income distribution in the rural sector cannot be adequately addressed without these kinds of household-level data. Furthermore, through the design of our probability sample, a representative cross-section of rural households in the two provinces will be obtained. This will allow for substantially more generalization than that permitted by existing surveys that draw households from a relatively small number of localities.⁸

Second, our project will devote substantial attention to "cataloguing" the environment in which household decisions are made, most notably, the terms of the responsibility system and other forms of administrative intervention. It is a misnomer to believe that restrictions on household behavior have disappeared with the introduction of the responsibility system. Presently, however, detailed information on how the contracts are set, their contents, or the nature and extent of other forms of administrative intervention is limited.⁹ Despite claims that contracts have been lengthened almost uniformly to 15 years, there are numerous reported cases of village-level redistribution of land since the initial implementation of the

⁷ At present, nearly a quarter of all rural households are primarily engaged in nonagricultural activity.

⁸ Although the pace of reform has been more rapid in the southern provinces, the substantial growth in the rural nonagricultural sector, notably in the environs of Beijing, Tianjin, and Shenyang, has likely exerted similar pressures for reform. Consequently, we also expect to find substantial diversity in the degree of market liberalization between areas. As explained below, we also have detailed pre-1989 household-level data for both provinces, which will provide a historical base line.

⁹ See Crook (1985) for a sample contract. For a discussion of how grain contracts are set, see Oi (1989), chapter 8. Nee (1989) examines cadre malfeasance.

responsibility system.¹⁰ We are inclined to believe that heterogeneity at the local level is substantial, in the event of which a careful description of the local institutional setting will be essential.

Much of our proposed analysis is cross-sectional in nature. However, because of a mutual historical interest our Chinese collaborators have agreed to provide village-level time-series data dating back to Land Reform. In fact, a small number of the villages that we anticipate surveying were the product of equally detailed investigations nearly sixty years ago. With the support of Canada's Social Sciences Research Council, Loren Brandt has assembled a data base that extends to nearly 1500 households in 25 diverse villages. Altogether, the data base provides detailed information on more than 400 variables at the household level, including consumption, production, asset accumulation, land and labor contracts, and credit relations. These data are now being used to provide new perspectives on the workings of the North China rural economy during the early twentieth century, including: 1) impact of market development and commercialization on productivity and income distribution; 2) the functioning of land, labor, and credit markets and their impact on resource allocation at the household level; 3) contract choice in agriculture at both the village and household level; 4) consumption, investment, and saving decisions, and their implications for productivity growth.

Combining the time series and cross-sectional analysis, our project promises unique insights into long-run agricultural development in North China, and the evolution of market

¹⁰This, for the case of Hebei and Liaoning, was communicated to Loren Brandt by a former colleague of Justin Lin of the Rural Development Institute.

institutions over the course of the last decade.¹¹ Once again, the highly aggregate nature of past investigations have likely concealed substantial local differences. This kind of analysis will not only help to resolve lingering questions relating to the impact of the rural reforms on productivity and growth, but will also be of much wider interest now that Eastern Europe and the Soviet Union are embarking on a similar path. This analysis also promises to make a concrete contribution to ongoing policy debate. Two examples can be provided. As in other low-income countries, agricultural pricing policy in China has distributive objectives. At present, there is an implicit tax on the agricultural sector that helps to subsidize food consumption in the urban sector. This tax is exacted in a variety of ways--through the terms on which farm households must sell farm output to the state under the household responsibility system, the pricing of farm inputs, etc. Oddly, the implications of these policies for farm household decision-making, most notably, output supply decisions, have yet to be analyzed. The major obstacle has been the lack of production, consumption, and marketing elasticities (Sicular, 1990). The survey will provide the required production, expenditure, and price data, from which elasticity estimates can be obtained in the context of a farm household model. With these elasticities, the implications of alternative pricing/tax policies can be explored (Newberry and Stern, 1987).

Widening disparities of income in the countryside, both between as well as within villages, have also been a persistent concern since the commencement of rural reform. Survey data will allow us to measure the magnitude of these differences and to identify

¹¹For example, we will see whether cross-sectional estimates from household level data are consistent for time series estimates of aggregate data.

systemic causes. Although intra-village inequality likely reflects inter-household differences in such factors as educational attainment and dependency ratios, there is reason to believe that these differences have been exacerbated by disparities in the rate of return to labor in and out of agriculture. This gap, in turn, may be linked to institutional imperfections in the rural labor market, most notably, the rationing of jobs in the nonagricultural sector. In a related manner, continued local restrictions on the secondary land market, and perhaps on the hiring of farm labor, have likely given rise to productivity differentials between farms unrelated to differences in land quality, etc. Demonstrating these links is the critical first step in justifying new institutional reforms that would further expand the role of local factor markets. Additional insight can be obtained by comparing inequality estimates for the 1990s with those already made for the 1930s (Brandt and Sands, 1990).¹²

II. Design

A. Analytical Framework

Because we presently do not know very much about the environment in which household decision-making occurs and the operation of product and factor markets in the areas to be surveyed, our analytical framework will have to evolve as we go along. We take as our starting point the general model of agricultural household behavior found in Singh, Squire, and Strauss (1986), which will be adapted to the Chinese case.

Our initial pass at the data will be highly descriptive in nature. Upon completion of

¹²Preliminary analysis of the 1930's data reveal a degree of inequality at about the same level some have found in China in the late 1980's. This is surprising and needs to be explained.

the survey, for example, one of our primary objectives will simply be to document the use of factor markets (land, labor, and credit) in agriculture, the role of off-farm opportunities, the degree of commercialization, and possibly differences in the institutional environments facing rural households. By design, the households investigated will be drawn from a cross-section of rural North China villages. Fragmentary data suggest that the pace of market development has been highly uneven throughout the two provinces, and so substantial diversity in each of these areas is anticipated.

Investigations into the operation of rural labor markets and the process of wage determination using a combination of household, individual-level, and village data will immediately follow. One important exercise will entail simultaneously modeling the household's decision to supply labor off the farm and individual wage determination. Empirically, this entails the estimation of wage equations corrected for selectivity bias (Heckman, 1979).¹³ In addition to offering insights into the influence of household-level variables on the decision to supply labor off the farm, the effect of individual (age, education, experience, etc.), occupational, market, and non-market variables, etc. on wage determination can be estimated. Such an investigation has already been carried out for the 1930s by Loren Brandt and Arthur Hosios (1991) using wage data for more than 750 individuals, and thus provides an interesting basis for comparison.¹⁴

¹³ Selectivity bias arises in this context because unobservable variables influencing the household decision to have one of its members work off the farm may be correlated with unobservables influencing individual wage determination.

¹⁴ For example, in contrast to our preliminary findings for the 1930s that the return to literacy in terms of wages was 20-30 percent, Lee Travers informs us that he finds no significant return to education in wage regressions using contemporary data.

Assuming separability in household production and consumption decisions holds, construction of a rural household model entails the separate estimation of a system of commodity demand equations, and production-side equations, usually a profit function and related input demand equations. These parameter estimates can then be combined to obtain estimated elasticities of demand and supply, which are the basis for policy analysis. The survey questionnaire will be designed with these data requirements in mind. For a variety of reasons, the assumption of separability may be difficult to maintain. In rural North China, imperfections in the rural labor market may imply differences in the returns to labor on and off the farm; differences may also exist in the sales and purchase price for some agricultural commodities because of the responsibility system. In such an event, modeling of the household will have to be altered.¹⁵ Modifications of just this sort help to reiterate the role of our preliminary analysis and call for flexibility in our analytical approach.

B. Specific Research Tasks

The specific research tasks are the implementation of a comprehensive household-level survey and its subsequent analysis. As discussed more fully in section III, this survey will be carried out in the spring of 1993, following nearly a year of preparatory work. The latter includes preliminary visits to survey sites in the Spring of 1992, design and pretesting of the household-level questionnaire, development of a village level questionnaire, comprehensive training program for survey personnel, and collection of key time-series data,

¹⁵ Jacoby (1991), for example, shows how to proceed in the case in which there is no market for labor.

e.g. cropping patterns and output, for the villages from which households will be surveyed.

Because of the use of computers on-site to process survey questionnaires, data analysis should begin no later than June or July of 1993. Three sequentially-related investigations bearing on household decision-making and its implications for productivity growth and income distribution are then planned:

1. Examination of the widening role of emerging product and factor markets in directing resource allocation in farming and non-farm activities in the rural sector.

Aside from a few highly localized surveys that suggest an expanding role for product and factor markets in the rural sector (Lin, 1989), these markets, along with contract terms facing households under the responsibility system, have yet to be systematically investigated. Detailed household-level data covering obligations under the responsibility system, marketing of farm produce, and labor supply decisions--on and off the farm--will allow us to quantify for the first time the role of these markets in rural North China, examine their implications for intra and inter-household allocative efficiency through productivity comparisons based on production or cost function estimation, explain any inter- and intra-village differences, and possibly identify other factors that may be impeding their wider use, e.g., credit constraints or administrative prohibition. In doing so, we will draw on an extensive body of work on rural factor markets and contract choice in the development literature that may be of some relevancy (Binswanger and Rosenzweig, 1986), and on our ongoing investigation on the historical role of these institutions in these villages (Brandt, 1987 and Brandt and Hosios, 1990 and 1991). The maturity of these markets and the extent of government intervention,

in turn, figure prominently in our analysis of household behavior, which is described next.

2. The interaction of farm household consumption, investment, production, and labor supply decisions, and their implications for productivity growth, marketing, and agricultural policy.

Household and village-level data will be used to develop and estimate a microeconomic model of the farm household for the region. Our prior investigation into the operation of rural product and factor markets, contract terms facing households under the responsibility system, and so forth will figure prominently here because each bears critically on questions of separability and, therefore, the modeling strategy adopted to integrate household consumption, production, and labor supply decisions (Singh, Squire, and Strauss, 1986). The estimated model can provide new insights and estimates relating to rural household behavior (e.g., responsiveness of farm output and marketed surplus to input and output price changes, and therefore, consumption and nutrition) and incomes (e.g., the effect of output and input price changes on incomes), both of which are critical from a policy perspective. In this context, the impact of rapid rural industrialization and expanding off-farm opportunities on agriculture can also be easily analyzed.

3. The impact of economic reform and market liberalization on income distribution in the rural sector.

It is widely believed that at the village (formerly collective) level income disparities probably widened with the reforms and market liberalization. Few village level estimates

exist however (Putterman, 1989). The household level data will allow for new cross-sectional estimates of income inequality at the village level. These estimates can serve several purposes. With data on family size, assets, income from farm and off-farm activities, etc., the sources of the inequality can be decomposed. In addition, since the villages from which households will be surveyed have been purposefully selected for their marked diversity in such areas as degree of commercialization, extent of off-farm opportunities, and level of income, these estimates will provide important clues as to the differential impact of the reforms on the rural sector. And finally, these data may help explain why the existing degree of income inequality in the rural sector is nearly the same as that estimated for the mid-1930s (Brandt and Sands, 1990), despite the fact that access to land--a key asset in the rural sector--is today much more equal.

C. The Nature of the Final Product

In addition to a new data base, several products will emerge from this project. The first will be five papers that are related to the three major areas of inquiry that were identified in section B including:

1. An analysis of the functioning and influence of rural product and factor markets on rural household resource allocation.
2. A study on contract terms under the responsibility system and administrative constraints on household behavior.
3. Investigation of household labor supply and rural-urban migration decisions.
4. An examination of the interaction of farm household labor supply, consumption,

production, and investment decisions, and their influence on productivity growth and the market surplus.

5. Estimation of the degree of income inequality in both consumption and income in the rural sector in the region and identification of its major causes.

In light of the diversity of the papers that have been produced with similar LSMS type data sets, we anticipate that a host of related papers will follow, for example, the impact of market reform on schooling decisions and the rates of return to education in rural North China, or perhaps fertility decisions. We will invite collaboration in some of these areas.

The third major product will be the training provided for survey personnel and an increased institutional capacity in China to carry out sophisticated household-level surveys of the kind planned here. Since Chinese team members will be involved from the outset in all aspects of the project, this collaborative experience will add to their professional competency as well.

III. Organization

A. Work Program

This project can be divided into two major components: the implementation of a multi-purpose household-level survey that will be modeled after the World Bank's Living Standard Measurement Study (LSMS) surveys, and rigorous analysis of the household and village-level data that will be collected.

In order to ensure the data quality, the project will devote substantial resources to each of those areas Chinese surveys have historically been weak: questionnaire design

(household and village-level), pretesting, listing operations and development of an appropriate probability sample, extensive training for survey personnel, and computer software development. Following a four-week visit to potential survey sites in the spring of 1992, these "preliminary" tasks, which altogether will take up to a year to complete, will be carried out by project members, with the help of three or four experts in the international development community who will be hired as consultants to the project expressly for these purposes. The appendix provides a tentative timetable for this portion of the project, with the survey itself tentatively planned for March and April of 1993. Data analysis can begin within several months of the completion of the survey, and will primarily be carried out at the University of Toronto.

B. Consultants

Three consultants will be hired to provide technical expertise for the survey. They include: 1. A statistician to oversee the selection of 20-25 sampling areas, check the listing operations, and oversee household selection in each sampling area; 2. An expert in survey methodology to organize and run a 3-4 week training program for survey enumerators, and develop a trainer's manual; 3. A computer/data management consultant who will design a data management system for the survey and train a small group of data entry operators.

C. In-country collaboration

After numerous discussions with fellow academics and representatives of major funding organizations involved in financing collaborative work with the Chinese, Loren Brandt spent three weeks in November of 1989 in Beijing discussing the project with a host of institutions including several institutes within the Chinese Academy of Social Sciences, the Economic Information Centre, and the Economic Research Center of the State Planning Commission. On the basis of these meetings, the Economic Research Center was identified as the most desired collaborator, and subsequently agreed to participate in the project. Through their Institute of National Land Planning, they offer valuable expertise on agriculture-related matters in the region. Moreover, they have an administrative network that extends below the county level that can be utilized to secure local political support for the project (an absolute must) and that can be tapped for enumerators.

Mr. Huang Fanzhang, Director of the Economic Research Center, has organized a team of five Chinese experts to work with the three North American members throughout the duration of the project. Two of the Chinese team are members of the Institute of Land Planning, Economic Research Center, State Planning Commission, two are from the Liaoning Provincial Planning Commission, and one is a member of the Institute of Agricultural Economy, Chinese Academy of Agriculture. They will provide invaluable aid in converting the LSMS survey to conform with current Chinese rural realities. More generally, the ERC will provide all the in-China administrative services necessary to conduct the survey. These services entail locating the target villages, negotiating permission to conduct the survey with local government, selecting survey enumerators, coordinating the

logistics of the training program, transport to the survey sites, and participation in the survey itself. The Economic Research Center has obtained permission for this project from both the State Planning Commission and the State Council. Several of our Chinese colleagues will visit either Washington or Toronto in 1993 for purposes of collaborative research.

IV. Resource Requirements

The proposed budget for costs to be covered by the research committee is \$58,980, which represents less than a third of the total cost of the project. Financial support for the remaining two-thirds of the project's costs have already been secured from the CSCPRC (Committee for Scholarly Communications with the People's Republic of China, National Academy of Social Sciences) and IDRC (International Development Research Centre, Ottawa, Canada). Funding from the CSCPRC primarily covers the set-up costs of the survey (visits to potential survey sites, work on the design of the questionnaire, survey pretesting, etc.) that will be incurred in the course of two visits to China by North American team members in the spring and summer of 1992. IDRC, on the other hand, has agreed to fund all the costs of the survey to be incurred in China, including all hardware costs, salaries of survey personnel, local transportation costs, etc.

The remaining items for which funds are being requested are the costs of several technical consultants to the project (see section III), research assistants, computer time, the costs of a trip by the three North American team members to China in the spring of 1993, and a return trip by several Chinese colleagues for purposes of collaborative research.

Although these items represent less than a third of total project costs, they are considered

essential, and the project cannot begin until their funding has been secured. By helping to fund the project, the World Bank, through Glewwe's participation, obtains future access to the data and the opportunity to provide direct input into subsequent analysis. If the remaining funding is secured elsewhere, however, this influence will be lost, and World Bank may not be able to obtain access to the data.

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General Budget and Timetable: Chinese Rural Household Survey

Survey Scope: Survey will extend to between 1250-1500 households drawn from approximately 24 villages. Visits to villages in the region will precede the survey and will aid in the design and construction of household and village-level questionnaires.

Survey Timing: Survey planning, formulation, implementation, and analysis will be conducted and completed in a three year period.

Funding Sources: 3 Sources

1. Committee for Scholarly Communication with People's Republic of China (CSCPRC), National Academy of Sciences, U.S.
2. East Asia Branch, International Development Research Center (IDRC), Canada
3. World Bank (WB)

Funding Notes: Obtained (Obt)
Pending (Pend)

Funding Costs: All dollar amounts are in U.S. dollars.

I. First Year: September 1991 - August 1992:

Cost

**Funding
Source &
Status**

Major Objectives:

Initial coordination between Canadian, U.S., and Chinese teams; village visits and selection, Survey formulation, data base construction, and survey pretesting.

Travel to China:

1. 3 North American team members' travel to China - 2 trip each for a total of 5 months per person.

Budget Note: \$2,100 plus international travel per diem plus excess baggage allowance per trip. Set-up cost allowance of \$1,000 per member. Living allowances of \$1,000 per month per member. Release time for 2 members for 5 months each at \$2,750 per month.

54,750

CSCPRC
(Obt)

Village Visits and Selection:

2. Travel to villages in Hebei and Liaoning provinces by U.S. and Chinese teams.

Budget Note: A van and driver for 15 days plus local costs for Chinese team members.

1,500

IDRC
(Obt)

Survey Design Work:

3. Constructing the household and village-level questionnaires and designing outlying villages probability sample.

Budget Note: Statistical Consultant hired for 10 days with an honorarium of \$245 per day.

2,450

WB
(Pend)

Data Management:

4. Constructing a data base program, inclusive of pin-yin (romanized Chinese) prompts and consistency checks.

	Cost	Funding Source & Status
Budget Note: Data base management consultant hired for 21 days with an honorarium of \$245 per day.	5,145	WB (Pend)

Survey and Data Equipment Acquisition:

5.	<ol style="list-style-type: none"> 1. 5 IBM PC-compatible computers (4-80286's plus 40 mb hard disk) at \$1500 each, (1-80386) at \$2500. 2. 4 Epson dot matrix printers at \$400 each. 3. 1 HP Laser-Jet printer at \$1250. 4. 5 Emerson UPS Acucards at \$250 each. 5. 5 copies SAS software at \$350 each. 6. Additional parts/repair budget \$750. 7. Supplies (Paper, diskettes, ribbons) \$1000. 	16,100	IDRC (Obt)
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Equipment Explanation:

PC's will be used on site in order to improve overall data quality and reduce data-processing time. Households will be surveyed in two rounds, scheduled two weeks apart. Within several days of each interview, the data will be entered and checked, so that any errors or inconsistencies can be corrected on subsequent household visits. The use of PC's has become a standard feature of the LSMS-style surveys, and has played an important role in substantially raising survey quality. Also included in the budget is an additional \$750 to cover any repair costs that may be required during the duration of the project.

Survey Printing and Translation:

6. Translation and printing of the village-level questionnaire, the individual household survey forms, and training manual for enumerators-entry operators.

	Cost	Funding Source & Status
Budget Note: Printing costs of \$2.00 each for 50 training manuals, 125 pre-test household questionnaires, 20 village-level questionnaires, 1500 survey household questionnaires. \$1000 for translation.	4,590	IDRC (Obt)

Survey Preparation Work:

7. Communication expenses for U.S. and Chinese teams while not in China

Budget Note: Xerox, mail, phone, and fax expenses at \$200 per month for 7 months.	1,400	IDRC (Obt)
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II. Second Year: September 1992-August 1993

Major Objectives:

Provide training for survey personnel, implement survey, and preliminary survey analysis.

Travel to China:

1. 3 North American team members' travel to China - 1 trip each for a total of 2 months for 2 members, and 1 month for 1 member.

Budget Note: \$2230 per trip, and \$1000 per person per month living expenses.	11,690	WB (Pend)
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Survey Implementation:

2. 4 week training session in China for enumerators to be taught by a survey-training consultant.

	Cost	Funding Source & Status
Budget Note: For the training program consultant, travel expenses of \$2230 plus \$50 per day for living expenses for 28 days, plus an honorarium of \$245 per day for 20 days. Additional \$1500 for seminar supplies: paper, xeroxing, visual aids, and room rental.	8,530	WB (Pend)
	1,500	IDRC (Obt)
Support and implementation of data management program.		
Budget Note: For the data management consultant, travel expenses of \$2230, plus living expenses for 14 days, plus an honorarium of \$245 per day for 14 days.	6,360	WB (Pend)

Survey Personnel:

3. Hiring of survey personnel (including enumerators and data entry personnel) and 8 vans and drivers to transport surveyors to 4 villages and outlying areas.

Budget Note: A total of 40 survey and data entry workers will be hired for 4 months at \$200 per person per month.	32,000	IDRC (Obt)
8 vans and drivers for 2 months.	8,000	"

Explanation:

Each household will be visited twice. 1 surveyor can complete 2 "half surveys" per day. Assuming surveyors work 6 days per week, 35 surveyors (5 people are data entry personnel) can complete approximately 1,440 surveys over the course of a 2 month period. The training session will take 1 additional month. 1 month is for travel time and leeway.

4. Research Expenses:

Budget Note: Costs of research assistant and computer time.	7,500	WB (Pend)
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Survey Management:

5. Communication costs between teams while not in China.

Budget Note: Xerox, phone, fax, and mail expenses at \$200 per month for 8 months.

Cost

**Funding
Source &
Status**

1,600

IDRC

III. Third Year: September 1993-August 1994

Data analysis, and preparation of reports.

Budget Note: Costs of hiring consultants, research assistants, computer time, and visits by Chinese colleagues for post-survey collaborative research.

Cost

17,500

**Funding
Source &
Status**

WB
(Pend)

IV. Total Budget Expenses by Funding Source and Status

CSCCPRC	IDRC	WB (Pend)
\$54,750.00 (Obt)	\$66,690 (Obt)*	\$ 2,450.00
		5,145.00
		11,690.00
		8,550.00
		6,360.00
		7,500.00
		17,500.00
		<hr/>
		\$59,175.00

* The actual grant is for \$75,000, Canadian dollars, which equals US \$66,690. All IDRC figures given in budget are in terms of U.S. dollars.



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