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Author

Calhoun, Sarah

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SYMPOSIUM ON PLANNING IN CHINA

Transcript of a symposium held on May 5, 1987, at the University of California at Berkeley.

Introduction by Sarah Calhoun

China seems at first examination to be a country in which completely rational, region-by-region planning could be undertaken, with the entire economy managed like a well-oiled, finely-tuned machine. At least that is the image conjured up by the term "planned economy," and it is one that strikes a responsive chord deep in the orderly recesses of the planner's heart. This was the notion I had of China when the idea for the China Symposium first came up before the BPJ Editorial Board. I was at once fascinated by the possibilities of planning in China, and daunted by the scope of power and responsibility inherent in so comprehensive a task. Much as I could appreciate the potential benefits of controlling plant siting, labor force migration, and the like, I was not at all sure I would want to live in such a society. I also realized how little I, in common with most of the Western world, knew about what life in China is actually like. Even travelling there, as more and more Westerners are now doing, does not seem sufficient to grasp the social, political, or day-to-day reality.

And the Chinese government was conducting brave new experiments. Entrepreneurs in the marketplace, dissent in the universities, foreigners in the means of production... what could it all mean? Since then the Party has attempted to clarify what their reforms and experiments mean, discouraging some forms of "individualism" and "bourgeois liberalism," such as student dissent, while continuing to encourage others, such as profit-making and income differentials.

The Soviet Union has also been grappling with the issues of personal and intellectual freedom. Both countries have identified the economic roots of these issues; how could they, as good Marxists, have done otherwise? But both also seem to be struggling with the more intangible aspects: How to maintain both individual and national vitality without letting the pendulum swing back too far toward unfettered exploitation and rampant profiteering?

Perhaps China and the United States have more in common than we sometimes think. Within the planning realm, there are even fairly direct comparisons to be made, and they reveal that planning in China, as discussed by our panel of experts, is often as much of a pragmatic, improvised affair as it is here.

The purpose of this symposium, which brought together people from a wide variety of experiences and disciplines, was to describe the major issues that Chinese planners face, and analyze their strategies for dealing with them. Any one member of our panel, or any one of the topics they presented, could have made for a fascinating three-hour discussion in its own right, and by attempting to be comprehensive we necessarily sacrificed detail. But it is from looking at the connections between the issues, the difficult tradeoffs between development and conservation, between social policy and its fiscal consequences, that the all-too-familiar dilemmas of planning emerge most starkly. While programmatically the solutions attempted so far have been very different in China and in the United States, there is some indication that even these gaps may begin to narrow, as Congress considers catastrophic health insurance and China eyes contributory social security systems.

Participants

The moderator of the China Symposium was **Manuel Castells**, Professor of City and Regional Planning at the University of California at Berkeley. Prof. Castells' current research concerns the spatial and social impacts of high technology industries in the world economy, with a special focus on the Pacific Rim. Prof. Castells visited the People's Republic of China in 1983. He returned to China during the summer of 1987 (after this symposium), by invitation of the State Council Research Institute on Technology and Economy, to set up a joint research project between the Institute and UC-Berkeley on technology transfer.

Richard Holton is a professor of Marketing and Public Policy in the School of Business Administration at the University of California at Berkeley. His teaching, research, and consulting have been in the economics of marketing, both domestically and internationally, including antitrust and other public policy aspects of marketing. In 1980, he taught and conducted research as one of the "founding professors" at the National Center of Industrial Science and Technology Management Development at Dalian, in the People's Republic of China.

Joyce Kallgren is Chair of the Center for Chinese Studies at the University of California at Berkeley, and Professor of Political Science at the University of California at Davis. She has received a University of

California Presidential Grant, along with Prof. Donald Minkler, to study "Fertility and Aging Policies in China: Lessons for the Pacific Rim."

Michael Teitz is a professor of City and Regional Planning at the University of California at Berkeley, specializing in the areas of economic development and housing. He has done research on local economic development in the United States and in Saudi Arabia. Prof. Teitz travelled to mainland China in 1985, where he conducted a seminar for administrators from 14 Chinese coastal cities. The seminar concerned proposed economic development zones for foreign investment.

Benjamin Ward is a professor of economics at the University of California at Berkeley, and has published extensively in that field. He was a lecturer at Beijing University in 1980. He has completed a study of the structure of Pacific Rim trade over the past 30 years, and has researched the early phases of the economic reform experiments in China. His most recent visit to China was in 1985.

The *Berkeley Planning Journal* would like to offer special thanks to Sarah Calhoun for coordinating the China Symposium.

China Symposium

Castells:

China has always fascinated political leaders, policymakers, and certainly social scientists. This is partly related to the fact that China is one of the oldest, if not the oldest, living cultures, and therefore is a matrix of humankind. Also, its sheer population size has always impressed people. Any movement in the social, economic, or cultural structure of China immediately translates into incredibly important movements in terms of the number of human beings involved.

Just to give you a couple of figures: between 1840 and 1949, the moment of the revolution, China's population grew from 400 million people to 540 million, a relatively small growth due basically to the high mortality rate. In the first eleven years of the revolution, between 1949 and 1960, China added another 100 million people, because of massive improvement in health conditions and despite the exile and mortality linked to the revolutionary disruption.

Chinese experts calculate that, by the year 2000 (that is, 13 years from now), the process of modernization in agriculture will free about 270 million people from the agricultural labor force, who will then have to be assimilated in the urban industrial economy. This is just the

labor force; then add also their dependents and you see the sheer scale of the phenomenon.

But most of the current interest in China comes from a new emphasis in the economic and social policies of the Chinese government. The story starts on a cold winter night in Beijing in December 1978, when the Third Plenum of the 11th Central Committee met to decide whether the "open-door policy" would bring about the transformation of China, or whether China could enter the world economy as a major player in its own terms. Foreign companies dream of this consumers' market of one billion people that would guarantee the survival of capitalism forever. Or, in a more modest assessment, if just 10 percent of the market could be integrated into the international economy, 100 million people, it's not bad as a new market in the next 20 years. On the other hand, the Chinese are concerned with their effort to improve their standard of living through technology transfer and management skills transfer. These are the two key elements that come up again and again in all the statements of the Chinese leaders.

The debates that are fascinating all of us center around this idea of the first major third-world country to try to open itself up to the world economy and society, to develop on the basis of its self-reliant attitude; and, on the other hand, the attempt by the major economic and political centers of the world to try a new round of penetration of the Chinese culture. I'll stop here because the people who really know China are going to tell you a few things about it.

Holton:

In the last year or so, my colleague David Teece and I have been doing a project on US/Chinese joint ventures. Since first going to Dalian in 1980, I've interviewed a substantial number of the Chinese managers who have been the participants in the management development program I have been involved in there.

If we ask the basic question, how have the Chinese been using international joint ventures in their economic development plan, I think most observers would say they've been using them but not very satisfactorily. They're really not making the greatest possible use of them. Why is that?

Several reasons might be put forth. The Chinese drive very hard bargains, and consequently discourage many foreign joint ventures from getting off the ground. There is an atmosphere of uncertainty in setting up and operating joint ventures in China which foreigners find discouraging.

But they are gradually making some concessions, and one finds that progress is being made. For example, the negotiating time required to set up a joint venture does seem to be shrinking substantially. However, American joint-venture partners have many complaints, the primary one now of course being that foreign exchange is so scarce that American firms who are making any money find it almost impossible to repatriate their profits.

United States press reports about US/Chinese joint ventures on balance suggest that most US joint-venture partners are very discouraged about their operations in China. My interviews over the last twelve months or so, both in China and the United States, lead me to believe that these US press reports give a slightly distorted picture. We encountered several US companies who are at least reasonably happy with their joint ventures in China, but are inclined not to broadcast that to their competitors, who would then follow them into China. So US joint ventures in China have probably been a bit more successful than we have been led to believe.

There are some basic problems that the Chinese and the American have in putting these joint ventures together. One might ask, at the outset, why are the Chinese joint-venturing in the first place, as a means of transferring technology in and as a mean of achieving exports? Why aren't they licensing? If Chinese enterprises were simply to license technology from American, European, and Japanese firms, then the Chinese could maintain the policy of public ownership of the means of production and not have to contaminate that scene, so to speak, with partial foreign ownership of enterprises on Chinese soil.

There are some instances of licensing, but they are relatively rare in comparison with the joint ventures one finds. I should point out that if you look at the contractual arrangements, the joint ventures themselves do involve licensing. The American partner will be a partner in the US/Chinese joint venture, and then as an entity that joint venture will receive a license from the US partner. So when I talk about licensing versus joint ventures, I mean pure licensing without any investment versus a joint venture which typically includes licensing.

The joint-venture mode of technology transfer is preferred, apparently, by the Chinese in part because they recognize that they do not have the organizational competence, the financial capability, and the manufacturing and marketing know-how – the totality of capabilities -- to make satisfactory use of a license. So they really wouldn't be able to make use of the technology that's involved in a license even if on paper they had the license.

Furthermore, they prefer the joint venture because they would like to have the foreign partner really *committed* in China, on the presumption that this will increase the probability that the foreign partner will in fact work diligently to make the technology transfer a success.

If one asks the Americans why they are going into joint ventures rather than licensing, most of them say that they want to learn enough about the Chinese market over time so that they can operate there satisfactorily, *and* so that they can watch what their competition is doing in China. With a license only, the American licensor does not necessarily develop a hands-on feel for the market. If the American firm has a joint venture in China, they can have personnel there, and they can learn over time much more about the Chinese market through the joint-venture vehicle rather than the licensing vehicle.

There are major problems in setting up and operating the joint ventures. One of the most obvious and most difficult is a clear disparity in objectives of the US partner on the one hand and the Chinese partner on the other. One asks, why do the Chinese want the joint ventures? They will say it's obvious that they are interested in acquiring technology, and they're interested in developing exports so that they can acquire more foreign exchange to buy the additional technology they need. Now you look at the objectives of the foreign partner, and the US partners typically are setting up joint ventures because they want into the Chinese market. So the foreign firm usually is not very interested in having China as a source of exports. Many industries worldwide have excess capacity, and the companies in those industries are not looking for another export platform. But that's exactly what the Chinese want. So one finds, for example, at the beginning of negotiations, in one case I know of, the American company went in figuring that they'd plan on exporting maybe 20 percent of the output, selling 80 percent locally, and at the first negotiation the Chinese had in mind exporting 85 percent and selling 15 percent locally. That's how far apart they were.

A second basic problem has to do with the incongruity in the organizational decision-making processes. The mistake American firms make is to assume that their Chinese counterpart in the venture, the Shanghai Pharmaceutical Company or whatever, is a decision-making unit, just as the American company is a decision-making unit. The Chinese company in fact is more accurately viewed as a semi-autonomous unit of the government, not as a free-standing decision-making unit. And as soon as the foreign firm recognizes that, they can recognize that decision-making on the Chinese side is diffused up into the bureaucracy, and it's uncertain and unstable as well.

A third basic problem is that the Chinese are very naive about foreign firms and about management as Western firms view management. They know they are naive about it. This is one of the things that leads to their deep suspicion and to their naivete in their dealings with foreign firms. The Chinese are very aware that they have been isolated from what's been going on in the world, and they know that they are quite ignorant about the latest technology. And they have been cheated often enough in the past in these dealings; they can point to many examples where they have been burned, and they want to avoid being burned in the future. This is one of the things that leads to long negotiating times, very tough dealing, and a lack of recognition about the risks the foreigners see themselves as taking.

So those are some of the basic problems that make it difficult for China to use joint ventures very satisfactorily in the development and planning process.

Kallgren:

I'd like to shift gears and turn to some of the questions with respect to planning that have been posed by the Chinese experience with welfare, family planning, and issues that seem to accompany the modernization schemes of most of the developing countries.

Planning as an issue has been a characteristic of Chinese politics and Chinese bureaucracy for a long time. The Chinese Communist leadership now, and the Kuomintang on Taiwan, and both of them in the '20s, '30s, and '40s, have always believed in rules and regulations as a way of planning. Some of the regulations of the Kuomintang government, originally on the mainland and now in Taiwan -- or those of the Chinese Communist Party, then in Jiangxi -- and since 1949 over the whole country, have extraordinarily detailed rules about how to carry out social welfare programs, how to classify educated people, how to have a good work style or have safety on the worksite, even at a time when there were very few workers, virtually no intellectuals under their control, and no financing for any of these programs. So on both sides of the Taiwan straits, you'll find a long tradition and a kind of faith in theory and regulations that were written in considerable detail.

One of the attractive characteristics of Chinese politics and history is that the Chinese, more than most developing countries, really set out, in the post-1949 period, to try and deal with some of the major social ills of their country. Every developing society espouses the goal of a better life for their citizens. But they are often confronted with shortages of personnel, shortages of financing, and conflicting priorities. In China in the post-1949 period there has been a rather significant effort

Berkeley Planning Journal

to really establish – particularly initially in urban settings, and then much more limitedly in the rural sector – some programs of social assistance. And, at least initially, they drew virtually word-for-word on the advice of their Soviet colleagues. The Russians didn't just help the Chinese to build factories, or to reorganize their educational system. They brought them regulations with respect to labor insurance, work-connected injuries, and the like. If one looks, for example, at the period of time that pregnant women could stay home from work, they almost match identically the Russian experience.

Having said that, there are three things that I think have to be said about welfare in China. First of all, the Chinese have always tried to provide a clear role for the central authorities. That role has been to provide model legislation, to communicate through the media good examples of planning, whether for economic development or welfare. Sometimes the Center has put before the population or before the leadership some notions as to what the authority of the central government ought to be. Having said that, for most of the post-1949 period there has been very little investment in welfare programs.

The second characteristic of Chinese programs has been that the Chinese have been willing, in welfare, in education, and in programs related to these issues, to take account of regional differences. In that sense, there has never been the degree of centralization which characterized the Soviet model, at least not on the welfare side. They based their system on the Soviet model, but the actual running of it always seems to have had more flexibility for local authorities.

And finally, of course, there has always been the question of how much one ought to depend on the central government. What are the responsibilities of the individual or of the local unit, in the village or county? Particularly concerning the kinds of issues that we commonly think of as welfare, one might well be startled to discover how frequently the Chinese ask what is the authority of Beijing. Furthermore, if there is insufficient money at the local village level, how does one decide who is sufficiently poor to be helped?

When one looks at these matters, a number of issues must be faced. First of all, since 1949 the Chinese have wanted to be generous with respect to those they defined as needy. "Needy" has always been defined in different ways. The plans always provided for different kinds of assistance. The programs, such as welfare programs or health insurance, always cost more than had been allocated, and the economists point out that "it's costing too much." So the criticism goes, if we set 7 percent as a target but the real cost is 13 percent, shouldn't we cut back?

Second, the local authorities face a dilemma. They have their obligations to Beijing or to the province capital. On the other hand, they have the immediate pressure brought to bear by people who want assistance, who may be relatives of theirs, who may live in the same village, may be fellow workers in a factory. Throughout the entire post-1949 period, the Chinese leadership has found itself constantly jostled by local pressures, localism, and regionalism on the one hand, and central authorities and central demands that are very rarely backed up by financial support on the other.

In many ways these kinds of problems are not terribly different from those in Taiwan and other countries in Southeast Asia. Especially perplexing to the Chinese in the last ten years are some of the consequences of the social policies (a topic I happen to be studying now, with Dr. Donald Minkler). These unexpected social consequences arise from the fact that the Chinese policy with respect to single-child families has been rather successful, certainly in the cities, and to a lesser degree in the countryside. Not all families have only a single child, but the single-child or two-child family is more common, and much more common than those with three or four, as would have been the case 10-15 years ago.

At the same time, there is a generation of men and women marching through life who, within the next 15, 20, 30 years, will reach their "golden years" with many fewer people to take care of them. In 1978 and 1979, when the Chinese initiated what they saw to be a sensible policy, essential for successful modernization, everyone denied that China would ever have a problem of care of the aged. Some of the most prominent Chinese leaders can be quoted to have said, "Nonsense, there is no aging problem in China." It is now quite clear that in the Chinese cities -- and by 2020, in the Chinese countryside -- the percentage of the population aged 60 and above will be large enough to classify China by United Nations standards as an aging population. The question is, who will take care of these people?

Quite striking, as China tries to develop "socialism with Chinese characteristics," is the fact that their social assistance programs are very similar to those that cover most of us today. For example, Chinese authorities are extraordinarily interested in the Social Security program of the United States, wanting very much to have computer programs to handle investments made with income that is contributed by workers and employers as well.

In contrast to all of the other socialist countries of which I am aware, the Chinese are calling for contributions for social security and welfare from Chinese citizens. Until the late '60s, it was said that the great difference between Western societies and socialism, including China, was

Berkeley Planning Journal

that social security and assistance were provided by the socialist state, as distinguished from the contributory systems of the West.

The Chinese have to deal with the question of how to finance these programs. If they wish to allocate budgetary moneys to the Four Modernizations – agriculture, industry, science and technology, and defense – then how can China finance programs for the care of the aged when there will be four grandparents and two parents for each child, who will presumably be responsible for caring for this impressive array of older folk? They have begun to experiment with local contributory assistance (where the government gives seed money but has no long-term commitment) and to talk about mutual savings plans and cooperative banking, systems which have been experimented with in the US. Many Chinese government cadre members have come to the United States interested in our experience. Of course they have been warned by the demographers and social welfare experts about the dangers of blindly following schemes developed in Western industrialized societies.

In some curious ways, some Chinese policies, for reasons that are very easily understood, have contained within them important self-destructive consequences which, over a 10-15 year period, may place very substantial pressures on the Chinese formulas of resource allocation. The Chinese leadership is now very much aware of this possibility, and is trying to find alternative local means for raising funds, and of providing services, but is not sure yet just how this will work out. As one watches how joint ventures work, one might also observe what happens to the generations who now have to live with perhaps only one child. They may have to seek support in their old age in some manner quite different from that of the traditional Chinese family.

Teitz:

Like Manuel, I think that when people go to China, they become absolutely fascinated by the scale. I was also fascinated by the sense that, as Professor Kallgren suggested, this was a revolution that in many respects worked socially, and at this point was facing the problem of going beyond the provision of basic necessities to the creation, expressed in the Four Modernizations, of a more advanced economic society.

What are the issues in Chinese planning? Obviously the range of concerns is enormous, from the global, such as population, growth, food supply, and national priorities in investment, to detailed issues of local control of siting of enterprises, of facilities, of infrastructure, and of housing. It's hard to know where to start. I'd like to say a little bit about urbanization and development, and consider how the emerging

Chinese version of a mixed economy will deal with the inevitable issues of conflicting objectives and limited resources. I thought that I would try to take us down to a more local level, to talk about the building of cities, about the process, and particularly about housing and development, and some of what I see to be the interesting problems and contradictions in that.

Clearly the scale is awe-inspiring. By the year 2000 the conservative population estimate is 1.2 billion, or maybe higher, depending on whether you think that the population-limitation program will continue to work in the way that it has. There's some dispute about what proportion will be urban. The most recent proportion I've heard is roughly 50 percent, which means 500-600 million people urbanized, a substantial increase over the present. So in the next 30 years, roughly the population of the US will enter urban environments in China. What will they do and how will they be accommodated? I'm rather optimistic, based on the experience of the past 30 years, that they will indeed be housed and employed. The effect of the economic reforms so far has been to increase both urban and rural incomes. It is debatable which has increased more, but it's probably rural, with substantial improvements in living conditions and the construction of housing in both places. If you get to wander around in the countryside, you see extraordinary amounts of new housing in the villages, both done apparently on a group basis and on an individual basis. People are converting their new-found surplus, among other things, into houses for themselves.

In the urban areas, the accommodation of people has been extraordinary. You can't help admiring the effort and the extent to which it's been possible to meet what has been an enormous challenge, despite all the obvious flaws and problems in the actual structures that get built. In the last 10 years particularly, there's been a great increase in concern about housing, a shift in the view on the part of the central government of the importance of housing. You can see production for housing construction established in many small concrete-member factories. (There are literally piles of members lying all over the place in China, and if you stand on a hilltop and look out, you can see the small gantries the factories use to move them back and forth.) This decentralization of the manufacturing process for these concrete members follows from another problem that exists in China, and that is the adequacy of the basic transportation network to carry large amounts of both people and commodities. They do pretty well, but the road system in particular is still quite poor.

The basic approach in housing development has been a kind of cookie-cutter pattern, a uniform design which is very simple: pre-cast concrete frame members which are assembled and then filled with

Berkeley Planning Journal

brick (which makes you worry a bit about earthquakes). There's very little concern, that's evidenced at least, for local variation in design. The basic design emerged from some national criteria which are used quite widely, such as the sunlight requirements, which tend to produce a rather monotonous setting of housing blocks: 6-8-floor walk-ups, laid out uniformly at minimum intervals in a way that doesn't absolutely minimize the infrastructure requirements, but at least makes it very very simple to put in.

In other kinds of development, local government itself builds schools and public facilities, and there are some private initiatives. I heard of at least one case of a peasant group from a particularly prosperous area getting together and building a hotel at a resort on the seashore. Industrial and other development is determined in complex ways, ranging from the national to the local. There are national priorities which override. I gave a seminar for executives from fourteen cities, and when we discussed their relationships with the national ministries, it was very interesting to see the result. They seemed to feel that they tended to get trampled upon, which brought the person from the back of the room, from Beijing, up to the front in order to explain quite quickly how in fact they weren't trampled upon.

At the same time it's clear that there is an enormous amount of initiative in the *danwei*, the local work units. These entities have become, over time, relatively autonomous; they do what they want. Although land is theoretically all owned by the government, in fact the land that you control as an organization is your land, and you try to hang on to it and you use it the way you want. Most importantly, these local enterprises have the primary responsibility for the provision of housing in the country. That is, housing is provided by virtue of your connection through your job in an enterprise. That's not entirely true, since private rentals do exist, and a great deal of private ownership of housing that is built by the enterprises. There are also local government rentals and some other sources.

How is the housing provided? As I suggested, probably the bulk of it is provided by the *danwei*, and since they in turn vary greatly in their size and in the resources they have available, this means that access to housing also varies quite substantially with the importance of your group. If you belong to a little dance company, the chances that you will get an apartment are pretty small unless the dance company cuts a deal with a larger work unit of some kind. On the other hand, if you belong to a very large and successful one, the chances are that you *will* get a housing unit.

What kind of housing unit will you get? The historic notions of hierarchy are very strong, and the nature and size of the housing unit that you get is at least substantially related to your rank in the organization.

There are a variety of versions of finance, the most interesting of which the government has recently been encouraging, a form in which individuals are actually purchasing housing, putting down a deposit that amounts to roughly one-third of the cost.

What's the role of planning in all this? In a certain sense, key roles in building the city are the function of non-planners, and they don't necessarily have to take any notice of master plans or of anything else that planners do. Sounds familiar, doesn't it? Development varies in a number of ways. It may be independent: if a work unit has land and if it has space and it wants to do something with its land, and if it can get financing from the central government or the regional government or elsewhere, it can do it. On the other hand, it may also be highly negotiated, particularly if the land is not available.

When I was in China, the thing that struck me most strongly was the question of what kind of principles for spatial arrangement can you turn to in a society of this kind, which has been characterized as a command economy, but is much more subtle. And this is overlaid on what is clearly the most extraordinary communitarian society in the world. I read *Habits of the Heart* while I was in China, and it was sort of a joke. You see what a *real* community is like if you're actually living there.

I think the key factor, if you're asking what can guide you in making planning decisions, is the absence of a mechanism for signaling the efficient use of sites. Of course, in a capitalist economy that's price. Paradoxically, I think it's very hard to plan without a price system. A price system is in fact an incredibly valuable thing. You can say, well, you use shadow prices, or something else, but if you already have a system on the ground, that's also extremely difficult.

So what happens in a society where theoretically there's no land market? There are many answers to that question. One is that certain kinds of institutional power can dominate. Within the limits of a society that is at once extraordinarily hierarchical and also extraordinarily consultative, strong institutions do get what they want. If some outfit really wants to build even a quite noxious facility and it has enough power, it gets to do it. And the results may be quite unpleasant. You only have to wander around Chinese cities to see the effects in terms of land uses.

I think a second answer is that not everybody can dominate, so you take the paths of least resistance. You use the land you have rather

than trying to acquire a more appropriate site, because that better site would involve great difficulty. To actually get a site is possible, but you have to negotiate for it at a high cost in time and expense. So you just use what you've got, and if you're an enterprise, you will tend to add both productive facilities and housing close to where you are. Whether it makes sense in terms of commuting, because maybe you shouldn't be expanding where you are anyway, is another issue.

A third answer, and probably the most dominant one, is negotiation and quasi-markets. There are barters, there are swaps, and there's money. In theory there aren't prices, but if you ask people, they'll tell you how much they paid. Of course nobody owns any land, but you pay for it nonetheless.

Finally, there are some fascinating efforts to create an explicit quasi-market price structure. I heard a paper the other day in which someone was describing the attempt in Shanghai to do exactly that, using rather fancy econometrics and producing a result that apparently was tossed out the first time anybody tried it, no doubt with some mirth by the local enterprises. In fact, there have been efforts to create prices, and some, I suspect, work better than others.

So what do planners do in the face of all this? I suspect that some of them are cut off from the mainstream of development. Those I talked to are strongly rooted in physical design. They're somewhat detached from some of the production agencies such as housing; they tend to be architects and engineers with an infrastructure focus. Nonetheless, I think the planners have to get closer to the process of city building, and the people who are making the decisions need, for more effective cities in China, to understand the consequences of what they're doing. But I don't think that will happen unless there's an effective institutional structure that makes it possible.

Ward:

I planned to talk a little bit about the difference between a system-changing economic reform and a system-improving reform, in aid of the proposition that the Soviet reforms today, and in immediate prospect, are clearly oriented toward system-improving, whereas the Chinese set of reforms on balance gives very mixed signals. Some seem the one kind, some the other.

However, instead of that, I think I will use my time to just carp at some of the things that have just been said. I think it's time to strike a few sparks and I think I see a few opportunities. Let me start with Manuel's remark about scale. It's certainly very true about China. I'm particularly interested in the first number, that in the first eleven years after the Chinese revolution, since liberation, 1949-1960, the Chinese

population increased by 100 million. That's the first 11 years. How much did it increase by in the first 13 years? About 100 million. Twenty million people died in the Great Leap, as a result of planning as much as anything else, perhaps even more than anything else. That, I think, is an important place to start in thinking about China.

A second question is, where did the current reforms come from? I see two roots in the current reforms that are often overlooked. The first root is in the aftermath of the Great Leap, when the Chinese countryside was substantially decentralized. Central control essentially disappeared, and the state, given the problems associated with this great disaster, let it happen. That decentralization was never really redressed; they never really got control of the economy afterwards. The reforms that took off in 1981-82 had a local impetus, they didn't reflect the new laws, they reflected rather locals moving back to the kind of relatively decentralized situation they had before. An indicator of that is some studies that were done on the actual area of cultivated land in a number of parts of China. In the late 1970s, first a couple of Westerners and then the Chinese themselves began using commercially available Landsat pictures to study Chinese agriculture. They found that in a number of areas, including more than countryside areas, something like 30 percent more land was being cultivated than the government had thought. This is not an environment in which planning can be generally characterized as terribly successful, and it points out some things that are going on at the grass-roots level while the planners are doing their planning and generating their levers and whatnot.

The other root lies in the Cultural Revolution. One of the great differences between the current leadership in China and the current leadership in the Soviet Union is that the Soviet leadership has never been through a Cultural Revolution. Status in the Chinese leadership today is determined in considerable measure by who was in the cell adjacent to you in prison during the Cultural Revolution. It's an important status symbol. I have had young Chinese tell me, "Well, my father was next to Xu Di Xin." That does tend to turn you around a little bit, in your thinking about what's to be done. The Chinese leadership has been opened to reform as a result of bitter experiences with that other system.

Two questions to Dick Holton. It is my impression that American firms have formed very few joint ventures in manufacturing, that most American joint ventures are in the service area. We're pretty good at setting up tourist hotels in China, but not very good with respect to manufacturing, and in terms of technology transfer and the sort of

things the Chinese want, they haven't gotten a lot out of the joint-venture operation.

Second, it is my impression that the great leaders in successful ventures in China, including substantial investment ventures in China, are the Japanese. And the Japanese have a tendency to abhor the joint venture. Licensing, or direct sales of one kind or another, a bit of counter-trade, is the sort of thing they seem to go for. The generalization that licensing works much better than joint ventures in dealing with Soviet-type economies has a simple explanation, and it is true of other socialist countries that have tried to develop foreign investment. The problem with joint ventures is you never really know what your profits are. These are administered economies. If local relative prices are going to be the things that determine what your profit levels are, you're the subject of administrative fiat. Much of that administrative fiat does not depend centrally on the relationship between government agencies of one kind or another and you; it depends on rather larger-scale things. These decisions are made too high-up for the individual enterprises' concerns to be more important. The advantage of a licensing scheme is that you can do all of the negotiating either in terms of hard currency or goods, and that's a much more reliable system. So the question I'm putting to Dick is, isn't that really the case? That if you want to get into China, you'd be better off talking up joint ventures a little bit (because the Chinese still seem to be sort of interested in them) and then going for a license?

With respect to Joyce Kallgren's comments, isn't it the case that in the Maoist regime there was substantial decentralization of welfare, particularly in the countryside? Isn't it the case that there was no law in China in the Maoist era which decreed one's rights to social welfare support? There were clinics in richer and more moderately-endowed communes, there was a general feeling that people should not starve, honored occasionally in the breach with some disastrous consequences, and there was a general feeling that individuals should not be allowed to starve in a commune in which there was enough food for all. But there wasn't much more than that. And the levels of support varied quite widely. In enterprises, too, I believe there was variation in the extent to which one was entitled to medical care and some other welfare benefits.

In those days, in the days of the Maoist regime, many of us used to argue that this was a pretty good thing, because it localized the welfare system, it made people aware of the needs of people who were near them, whom they could see, instead of having some vast system that was largely burdened with impersonal bureaucracy and impersonal rules. You had some ability to choose what an appropriate level of

welfare was, to choose who was more worthy of help. In that sense it was a rather more efficient system. We used to argue that way. But of course we know some things didn't work too well. One thing that seems to have worked quite well is the overall performance of that system. Chinese infant mortality has fallen, it now seems clear. Even if you accept some criticisms of these mortality rates, it seems clear that the overall Chinese mortality rate, town and country, has fallen substantially more rapidly than in India, and overall is probably half the current Indian rate. And this didn't all happen since economic reforms were put in, this is part of a long-term process, in which Maoist welfare systems played some role.

I should mention that one of the things that economic reform has brought is a return to a system that many of us are more familiar with. You don't get as much welfare in the state of Mississippi as you do in the state of New York. It's beginning to look like that in China, too. In one case a local communist cadre in effect bought the rights to operate the local communal clinic, which they're now running on a profit-and-loss basis. There have been a variety of changes of this kind.

What's happening out in the more distant countryside? The Chinese say that there are 10 million landless farmers in China today, people in the countryside who do not have access or rights to land or to its cultivation. They are beginning to develop a landless peasantry in China as part of these new reforms.

Turning now to a couple remarks of Mike's (Teitz): Mike said his view is a little bit on the optimistic side. Let me mention a number. Rural population in China today is substantially larger than the *total* population of China 30-35 years ago. In other words, the *absolute* size of the rural population in China is increasing rapidly. I find it hard to be terribly optimistic in the face of a figure like that. Chinese growth, growth of GNP per capita, over this long period since the early '50s, is quite good. They look pretty good in terms of economists' conventional numbers. But that is a disturbing number. Another number that might be relevant in thinking about optimism is, the Chinese estimate that they're losing more than 100 million acres a year of cultivated land. Basically they're losing it to industry. Their plan is, over the next ten years, to bring it down to only 80 million acres a year. China's short of land; it has one of the highest people-to-cultivable-land ratios in the entire world. It's falling and they can't do anything about it; they're hoping to slow it down a little bit. That's a difficult problem.

One of the things the reforms have done is reduce the quality of something that the commune system didn't do all that bad a job with, and that is the ecology. When there was effective control, water conservancy was a really major part of plans in the Maoist era in China,

Berkeley Planning Journal

presumably something like the mid-1950s to the middle- or late-1970s. This was an important consideration. The peasants now are interested in the short-run. Those peasants in the 1960s were running their farms, their cultivated area, up hillsides. Those Landsat photographs not only show this large increase in cultivated land, they also show this tremendous deforestation in the upper Yangtze river valley – a variety of ecological disasters in the making. And the reform is making things worse, not better. Those things are really very hard to get control of.

There's a town in North China, Lanzhou, most of us have never heard of it, but most people who go through it come out coughing. They've got a California-type inversion layer there, and it's a terrible place to live, but a million people are living there. They've got industrial problems as well as agricultural problems.

The environment of planning in China is not only very complex, there are a number of fundamental facts that make China different from other places. I find it hard to think confidently about what to do in the Chinese environment. It's a fascinating place, it's a deeply moving place, but it is also at least equally disturbing because of all the very unpleasant things that are happening and that are hatching.

Castells:

The format of this panel was really to stimulate your questions and concerns, so we now open the floor to discussion. I think what we could do is that, if you have questions, either addressed to all the panel or to a particular panelist, we'll group the questions and then people can respond according to their reactions and their good sense.

Question 1: Professor Teitz, could you describe the formal city-planning entities such as those responsible for land-use planning or regional planning as we know it, what they have, how they operate?

Question 2: What do you think are the important factors that will determine the relative success or failure of the population program, and what are the probabilities, let's say within the next 10-15 years, that the Chinese might encounter a very substantial growth in numbers? Secondly, the growth rate of China has recently dropped a little, from approximately 10 percent to something close to 8 percent. What are the most important factors that could encourage a higher growth rate, say up to 8 percent or 9 percent, as compared with the most important constraints that would make a growth rate, say of 6 percent to 7 percent, more likely?

Question 3: What impact have the financial reforms had on welfare, joint ventures, urbanization, and spatial advantage?

Question 4: Professor Holton, on the issue of factory control, do you see the Party secretary losing control to the managers? I'm also wondering about the spatial consequences of the economic reforms on manufacturing.

Question 5: Historically, China and Japan really haven't been friends, and I'm surprised to see China letting Japan make investments in the last 20 years. What is the attitude of the Chinese people toward this, because I have been reading about campaigns against Japanese products, and is there any internal trade war with the Japanese?

Question 6: Professor Teitz, could you comment on how much of the apparent rapid urbanization may be due to the reclassification of towns according to size as urban or rural?

Castells:

Maybe at this point we could have the first series of answers and reactions.

Kallgren:

With respect to Japanese investment, most of it is in trade. The Japanese aren't really investing a great deal. The attitudes of the older Chinese are anti-Japanese. There's a fair number of Chinese youth whose nationalism is directed against the Japanese. It can be seen in the aftermath of sports events. On the other hand, the Japanese are way far ahead of anyone else in terms of long-term planning. For the present and I think for the foreseeable future, the Japanese have a close, tight, and sometimes satisfactory relationship with the Chinese. The official Chinese position is that the past is past, but that doesn't always carry with certain individuals at any given time.

With respect to Ben Ward's comments, one should note that if you live in a poor part of China, it doesn't make any difference what kind of political apparatus there is; the area is still poor.

The Chinese have been aware of the economic realities since 1949. In communes, or present-day townships, if the money is very limited, or if the land is poor, the aged will be much worse off than if they happen to live on the outskirts of Shanghai or Beijing, where retirement programs exist and are generous. In the countryside no one retires. So, of course, one does better in welfare the closer one is to a major urban setting, to major transportation areas, and to a rich agricultural region. That has been true since 1949.

With respect to the national programs, it depends on which one you study. National programs always tended to be limited. Labor insurance programs in Manchuria, or what is now the Northeast, com-

menced in 1947 and '48 as an effort to woo workers away from private factory programs which had better benefits than the Communists could provide. In the countryside the Chinese had nothing of any major consequence for the rural sector. There were/are units that were to be taken care of, the Parents or Children of Martyrs, the disabled from the military, but Professor Ward is quite right when he says those were just hopeful goals sent out from Beijing. It is also true that there were detailed and increasingly comprehensive welfare programs for some major industrial enterprises. If one were in the iron and steel enterprise, one might have good housing and other benefits.

With respect to the population plan and its success or failure: it is clear that the Chinese demographers never expected the single-child policy to achieve the full propaganda targets. They sought to have third and fourth births decline very sharply, and that indeed has happened. The figure of 1.2 billion as the target for the year 2000 is not fixed, even though it's been given a kind of magical quality in terms of family planning. A "bulge" in the Chinese population of young men and women now entering their childbearing years means that no matter how many single-child families exist, the population increase is inevitable. The case in welfare and in population may be seen as "is the glass half-full or half empty." The authorities have been extraordinarily successful in lowering mortality rates for infants, and in reducing their population growth rate. So I think the Chinese will meet their goal of about 1.2 billion.

In the countryside, for all sorts of reasons, people are allowed to have a second child, and two-children is slowly becoming more common. There is now a more generous policy with respect to the second child, especially if the first child is a girl.

With respect to trade growth rates, there are two issues about which the Chinese are very concerned. One is what kinds of constraints the US and other countries will place on exports. One aspect of this matter is the textile issue. The other is Chinese cereals production. Producing enough grain has enormous emotional content in the context of Chinese political history. As people are given the right to produce what they wish in the countryside, there are fewer people growing grain and more planting more remunerative crops such as vegetables and cotton. If there were to be bad weather together with a reduced grain crop, there could be a very significant effect on the growth rate.

Holton:

Some have suggested that a good bit of the increase in agricultural output might be just a step function: the growth rate has popped up, and from now on the rate of growth will slow down but on a higher

plane. I'm not sure of that. What may cause the growth rate to drop could be constraints on energy supply that the World Bank has emphasized in their studies of China. And I know that concerns the Chinese a great deal. As far as what might cause the growth rate to be greater, I'm wondering about the possibility of their not only continuing with the improvements in agriculture, but also doing enough about the industrial sector to decentralize decision-making and move toward more of the business of leasing plants, for example, to the workers. There's been some of that going on, but only around the edges, apparently, where they are in essence taking state-owned enterprises and converting them to collectives and arranging things with regard to the taxation process so that the workers can retain more of the profits. One of the things that's a little confusing there, though, is that they still have things set up so that managers are understandably risk-averse. My guess is that the managers are going to continue to be risk-averse, given the nature of the reward system there.

Ben asked, are the American firms mostly in services? Certainly if you look at the totality of joint ventures involving all foreign investors, there's been a big investment in the hotels and so on, but a high percentage of that is apparently the Hong Kong investors stepping across the lines in the special economic zones. I haven't really seen any recent figures that totaled up things that way with regard to joint ventures. When I was there last, there was talk about any continuing investment in hotels probably slowing down because they saw themselves having an excess supply of the first-class luxury hotel rooms, and the Americans at least weren't seen as likely to come in with the "budget" hotels that the Chinese see themselves as needing now.

With regard to the Japanese being bigger at licensing, there too the numbers are hard to come by. I wish we had a Landsat operation that could count numbers and sizes of Japanese versus American and other joint-venture investments, different colors and so on; that would be great. It is apparent, though, that the Japanese are pushing very hard on trade rather than investment, and their trade is now running approximately \$11 billion Japanese versus \$4 billion US. It was that order of magnitude in terms of trade. The Japanese have been considerably more aggressive than American firms with regard to counter-trade.

With regard to the Communist party control and the factory managers, apparently the role of the Party in the factories is continuing to diminish. I would suspect, however, that the recent dust-up over "bourgeois liberalism" probably has slowed that up. The Party problem has not been a major one with any of the joint-venture people I've talked to, however. Many times the manufacturing joint venture is a showpiece for the city, and the mayor himself is interested in seeing

that things succeed. So the mayor is likely to help clean up a lot of problems.

On the spatial consequences of economic reform in manufacturing, in the case of Dalian, there is the economic zone that's 30 kilometers or so north of Dalian, where not a whole lot is happening as far as I know. Dalian is one of the coastal cities where access to foreign exchange is supposed to be somewhat easier. Michael, since you were in Dalian, you're better equipped to comment about the spatial consequences of economic reforms on manufacturing than I am.

Teitz:

That's a long list of questions, and I just had a couple of comments, because I think most has been said. It seems to me that much of what we would consider in the "planning realm" is done under the aegis of specific entities within the cities, like the Housing Department in Beijing or whichever department is responsible for transportation and for infrastructure of one kind or another. There is clearly some city planning, there are offices doing it, and the schools are teaching people. They seem to be producing people who are doing stuff that's rather conventional, especially master plans. They think about them, but what bothered me was the question of whether anybody was observing them. And that I wasn't able to sort out.

It seems to me that forecasting growth rates for any country is a very speculative enterprise, but clearly the issue of adequate foreign exchange in order to purchase the necessary capital equipment and technology is going to be an important thing in the next few years. It's already a constraint.

On the issue of the spatial consequences of manufacturing, just for information, there are four special economic zones, and then there are a whole bunch of cities that were designated as loci for foreign investment and given a substantial amount of investment resources which were to a greater or lesser degree, before it was slowed down, poured into massive infrastructure projects and planning for them. Some of those have gone forward and some have not. Teinjen, for example, has gone forward and it's now going into a Phase 2. Dalian has a very substantial investment in sewer and water, power, roads, a headquarters building, and a hotel, but not a single actual productive facility – not one. My understanding was they had a substantial amount of discussion going on with the Japanese, and Dalian is a logical center. In case you don't know, Dalian is the city which best described as being in Korea's armpit. So it's in North China, it's a seaport, and it's well-located in many respects. It would be even better if planes could fly across North Korea from Japan.

I think it's too soon to see the spatial consequences of what's going on; I don't think that the transformation of manufacturing has occurred. The principal consequence, I think, will be reinforcement of the top two or three tiers of cities. I think that's where it's primarily going to go. My guess is that most of it is going to go closer to the coast, which is where people are anyway, but it will also be reinforced by the character of the transportation network, which is, to say the least, not entirely satisfactory. Another constraint on growth for the country, potentially, is the state of the road network. It seems to me very difficult to have rapid and highly interactive economic development without a relatively good road network, because truck traffic is going to be very important.

On the reclassification of cities and the urbanization issue, there's been some argument about that. There's going to be a substantial amount of additional urbanization, come what may, in the next 20 years. The argument revolves principally about where it's going to go, whether it will go into that second tier of all those "million" cities in China, of which there seem to be a million of which you've never heard the name. It's so easy to find a city one's never heard of that has an enormous population, as opposed to going into the really massive and super-massive concentrations of which Shanghai, Guangzhou, and Beijing are the three largest. To the extent that the system has a powerful central component, there are enormous advantages to locating whatever you do in or near one of those three, preferably Beijing, if you need to have any attention paid to you by the central government. The Mexico City phenomenon, if you like. I think China is big enough and those cities are powerful enough in their own right to stave that off.

How well regulation is going to work to contain them, and to push the growth out to the supplementary cities, is going to be an interesting thing to watch. One senses that the Chinese are pretty confident that they can control the growth of the largest metropolises, but I think there will be extraordinarily powerful pressures, and already the two centers other than Beijing represent very powerful political forces in their own right. If you see China as a structure in which it isn't simply vertical politics at all but an interactive politics up and down, then the tradeoffs between the centers which already represent powerful political constituencies and the central government are going to allow them to do things that maybe on paper they're not supposed to do. That, plus the economic logic -- even with all the inordinate crowding and the terrible environmental conditions in many places -- suggests to me that, absent a real improvement in transportation, there's going to be a very considerable edge to enterprises that get to expand in those places.

Berkeley Planning Journal

Just apropos the densities, in central Shanghai there are around 120,000 people per square mile, which would make Berkeley at the same scale a population of one million. It's a staggering thought. That's the core density; Manhattan is probably similar. But these cities nonetheless are functioning with extraordinary effectiveness because, like Hong Kong, the proximity and the density also allow incredible amounts of interaction, and potentially it allows for the development of a lot of innovation and small-scale enterprise. One of the most exciting things in looking around in China was to see that enterprise emerging in all sorts of forms and popping its way up no matter what people were saying.

On Japanese investment, I spent 20 hours on a train with two Chinese and a Japanese salesman. The Japanese salesman had been taught two languages in high school, Mandarin and English. He had forgotten most of the English, but there was just enough residual, and he had a bottle of whiskey, and my impression from that small sample was that everybody was very interested in everybody. He understood China very well, he'd been a salesman in China for over ten years. Recent figures show that Japan controls just about 50 percent of sales in China, and I suspect they've locked the market.

Ward:

Let me make a brief comment about what the reforms mean rurally. To follow up on what I said earlier, it means roads going through prime farmland. That's how you get infrastructure development. It means larger housing, on land that is very intensively used already. Larger housing means less land for other uses. It means factories going up in the countryside, many of them small, but most of them taking scarce land. And it means some decline in the quality of care of the less-rich soil. Those are spatial consequences of the economic reforms. This extraordinary increase in rural output, which doubled in eight years, is a new record. Dick pointed to the fact that these may be in part one-shot deals, or that they may not be directly associated with the reforms. There are three aspects of it. One is the weather, and they had three good years during the three big increases in crops in the early '80s. With a little less good weather, agricultural output and grain production declined quite substantially and only increased a little bit last year, not yet to the peak level.

Second, there was fertilizer use. The Chinese bought a dozen large turn-key fertilizer plants from the United States. Those all really came on-line and got up to full-scale production between 1978 and 1981. That increase in high-quality fertilizer played a very important, but unmeasured, role in the increase in agricultural output during that period. There is not in prospect a further increase, there are no fac-

tories about to come on-line. Furthermore, overall production of fertilizer is probably declining because they're still phasing out these small-scale plants that were part of the Cultural Revolution era that, by and large, have not paid out; they're high-cost operations.

Third, there are changes in procurement prices. We know from studies of the pre-reform period that Chinese farmers and communes were responsive, in terms of their supply, to changes in procurement prices. There are several well-documented cases of that. Well, it still happens. When they raised the procurement prices for cotton, they got a tremendous increase in cotton production. They continued to keep relative prices for grain low, and they began to have some problems with the amount of grain being produced. At the same time this was going on, there were these new incentives in the reform system. They certainly are important too. But it's easy to exaggerate them. And that is one of those big question marks about the Chinese future.

In thinking about urbanization, one should remember that the Chinese, and some other Soviet-type economies, have a good track record in controlling urban population increase when they want to do it. They do it with mobility controls. The Soviet Union, if you use one of these old Zipf distributions, or Pareto distributions, that measure primacy, you'll find that the socialist countries tend to have very low primacy rates during these periods in which they're controlling population. *It worked.* They did keep the population out. They have opened up cities to mobility. If they continue to do that, then they're certainly going to get urbanization. If they *want* to control mobility, they have the power to control mobility, they've demonstrated it. It's a question of policy, perhaps, and to some extent humanity too. But the humanity tends to cut both ways.

Finally, as far as financial reforms, finance is a very difficult problem in a substantially controlled economy. The central core of Chinese output is its industrial output; the majority of the value-added in Chinese national income and product is produced in the industrial sector. This output is still very largely controlled. At the same time, there is some relaxation of financial controls. The two kinds of controls, rationing by the market and rationing by quotas of one kind or another, tend to fight one another, and that's presumably one of the major contributors to this really rather dramatic volatility that the Chinese economy has shown over recent years. By suddenly clamping down, as they can still do and have done three times in the last eight years in a dramatic way, with respect to financial independence and financial decentralization, they have been able up to this point to suppress the phenomena they didn't like and to control the runaway growth that has tended to accompany it. Whether they continue to do that depends to a con-

Berkeley Planning Journal

siderable extent on the reforms, and what they'll be able to do if they really go over that line and start genuine decentralization of large-scale industry, is one of the great speculations of our era.

Castells:

Some people were curious about some of the figures. Since 1979 there are about 5,000 companies that have direct investments in China, for a total of about \$6 billion. To put this into perspective, this represents, in terms of the actual industrial output of China today, less than 1 percent, about 0.7 percent. Second, I have what I believe is the only empirical survey until now of workers' attitudes in the Shenzhen special economic zone on a representative sample of 5,000 workers. This is quite interesting, because basically social conditions are much better than in the rest of China, particularly medical conditions. In terms of salaries, it's about one-third higher for the equivalent position. Yet, in terms of the attitude of the workers, they are highly satisfied in terms of the social environment and social life, despite the displacement and isolation. They are satisfied in terms of the material conditions of labor. They are *highly* dissatisfied in terms of wages and professional conditions. So this is to say, and it's an interesting hypothesis, that maybe the Chinese are opening up a Pandora's box by creating expectations of actually fulfilling Deng's slogan, "It's glorious to be rich."

Question 7: Professor Castells, in your opening remarks you alluded to the fact that we're not just talking about technology transfer, we're also talking about managerial and institutional transfer. Is that taking place? Professor Holton, in your interviews with joint ventures, you indicated that there was a diversity of expectation on each side. What have you found recently as Americans have gotten to know the Chinese and the Chinese have gotten to know the Americans? What do American companies now expect, if not opening the market? Professor Kallgren, there was a recent article in the *Atlantic* which indicated a major demographic shift in that there was an increasing divorce rate in Chinese urban areas. I wonder about the implications of that on households. Professor Teitz, has anybody been talking about development of a pricing system, whether that's a necessary occurrence, whether it's likely to occur, whether it's a good thing or a bad thing in terms of resource utilization? Professor Ward, in your opening remarks you indicated you were talking about a system *change* and not a system *improvement*. I wondered what evidence you had to support that allegation or contention.

Ward:

I think the signals are mixed as far as the system is concerned. They give some signals that they're really headed toward system change. And they talk seriously about changes that involve really dramatic marketization, which is clearly system change. But there are a lot of things that they haven't done, there is a lot of talk and not action, even in the countryside. There's a tremendous amount of diversity in the countryside, but we've all been exposed to accounts in communes in which things look very much like the old way. For example, the supposed switchover to individual household agriculture has not occurred in a lot of places. The way in which the fields are divided up, one row to a family in a field that's otherwise unchanged, things that do not lend themselves to an environment in which individual families have their own plants and control them. So there are a lot of mixed signals of that kind. Even in thinking about comparison to the Soviet Union, where I think the trend seems clearly toward just trying to improve the existing system, my impression is that, culturally speaking, the Soviet Union is more open than in China. It's not true that in every dimension the Chinese have led.

Teitz:

People have to start talking about some version of price. I mentioned that, in Shanghai, a research institute group commissioned by the government effectively came up with a model that would produce a price for any piece of land. Coming back to Ben's point, that in a situation in which you're urbanizing and in which you're building, you're taking land away from peasants. So how do you compensate? Well, the rule is the compensation value is three times the annual crop value. But everybody knows that that's no kind of deal; people are not dumb. They won't move for that, so there's a lot of negotiation back and forth. They're finding situations, for example, in which if a peasant's land is taken over for housing, they will get a certain percentage of the units, which they can either keep or sell.

That's what I meant by trade, or, in effect, barter solutions. Although it's certainly not uniform, there is a lot of ferment in this, both in relation to how you site various land uses, and how you improve the spatial efficiency of the system.

I want to make one comment on your question to Professor Kallgren. One night I was watching Chinese television, which is a wonderful thing to do, because I couldn't understand any of the words, and therefore I could really get the message. It was a one-hour soap opera, very touching, concerning the outcome of a marital break-up. It took the family through the process of a break-up, the consequences of the

Berkeley Planning Journal

break-up, the falling of the little boy into delinquency, the troubles of the little girl in school, the decline of her singing career. And I said, am I in China? What is this? They could sell the program here, people would love it. This was clearly TV being marketed to an urban audience. I was quite surprised to see such an explicit recognition of the problems of break-up and of the consequences that flow from it.

Kallgren:

This example proves that one sees different things in watching the same program. My interpretation of the scenario is a warning that one never, ever wants to have a divorce.

Teitz:

It was incredibly sympathetic. It had a happy ending.

Kallgren:

I don't think in my lifetime, nor in yours, that the issue of divorce is going to be very significant in China. It is true that instead of having 100 divorces in the country, you now have 300. But you've got a very long way to go before one starts to talk about divorce as a major issue. Among other things, where on earth are the people going to live? In Shanghai, the reality is that you can't find a place to live or stop or sit down. I'm told by Soviet folk they have the same problem, only they have indeed gotten to the point of divorce; but many couples cannot separate because they don't have a place to go to live.

In any case, the Chinese are paying attention to questions of divorce. But I think that it's very useful for us as Americans to be exceptionally cautious about what we think is happening in China. I'll just give you an example. If you read the *China Daily* nowadays, there are a number of welfare items published; you'd have the impression that everyone was finding their mates by pinning descriptions of themselves up on bulletin boards, or through public matchmaker organizations. That is misleading. Many practices are being experimented with, but China isn't urban yet, and in the countryside there is also a tremendous conservatism which has to be seen to be appreciated.

Another aspect of this kind of enthusiasm, which was getting a little strong here, is that nobody has taken account of the caution signs that have come in the last six or seven months. Concerns about maintaining Chinese values and culture suggest that there are many people who oppose aspects of the current reforms. We have a lot of political evidence that we haven't discussed tonight.

Holton:

About Chinese and American expectations changing with regard to joint ventures: I think perhaps they are, except that the number of joint ventures is still rather limited, so there's not a whole lot of learning going on in any one place. It's still quite diverse, and you'll find that an awful lot of people have had to reinvent the wheel. But negotiating times are getting shorter, so a few things are being learned, apparently.

I'd like to add something that I observed with regard to the spatial consequences of industrialization. One American manager of a Chinese joint venture in Shanghai said they were surprised at the number of people they had to have in the purchasing function in that operation, relative to what the company's experience had been in the United States and elsewhere. The reason was that they're always on the train. The telephone system is so bad, they simply can't find sources the way one would here, so if you think about that, that surely constrains their sources of supply and causes them to buy more things in and around Shanghai than out in the countryside. So it's a question not only of roads but telecommunications as well.

Castells:

Just to answer your question about management, sometimes there is a mixed understanding about what the Chinese policymakers understand when they say they want management skills. It's impossible to understand the current open-door policy without referring to two major traumas that occurred in the past. One is in 1960, when the Soviet Union suddenly interrupted all their technical advice, and the factories and many services in China were literally paralyzed in three months. Therefore, they cannot rely only on one channel of assistance or technological know-how.

Second, because of their assessment that you cannot be self-sufficient, the main thing they have to learn is how to work in the outside world. I think that's what they understand by management, how to operate in an economy at the international level that works through rules they have not mastered. They have tried to use Hong Kong as a training ground, and they have done catastrophic things in Hong Kong, like investing massively in the real estate market just before the industrial market collapsed in the early '80s. So they have learned that, and that's what they understand by management, not so much how to handle a company, but how to relate to the economic and social world of which they want to be a part.