

## Evolution of Rural Consumption Pattern in China

Since the establishment of the People's Republic of China, economic growth and gradually rising per capita income have improved the typical rural consumption pattern from the level of a "poverty" to the level of "adequate food and clothing." At present, the consumption pattern is further evolving to the level of "fairly well-to-do." The gap between cities and villages and the gap between urban residents and rural residents is narrowing day after day.

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### Living Conditions and Consumption Pattern of the Chinese Peasants before 1949

The Chinese rural population accounts for more than 80% of the total population throughout the country. Before 1949, the consumption pattern of the Chinese peasants was at the level of "starvation", meaning that even the minimum necessities to survival, such as food and clothing, could not be guaranteed. For example, in Liukeng Township, Ningdu County of Jiangxi Province, there were 623 farm households of this in 1949. Apart from production costs, the total return of harvests was 1,253,000 kilograms, 540,000 kilograms (43.3% of the total) were paid for land rent, 104,000 kilograms (8% of the total) went for interest on loans and 354,000 kilograms (28.3% of the total) were paid for miscellaneous levies. The land rent, interest on loans and levies altogether accounted for 79.8% of the total. Only 252,500 kilograms were left to the peasants who had toiled for a year. This is equivalent to 61 kilograms per capita per year. (Chinese National Statistics, Agriculture Branch, CNS-AB hereafter). Another example was the peasants in a township of Lueyang County, Shangxi Province. There was a population of 1016 in the township prior to 1949. 44.3% of the population lacked warm cotton-padded quilts and 32.9% of them were deprived even of cotton padded coats and trousers in harsh winter time. (CNS-AB).

Yang Sheng-Ming has prepared average data based on eleven surveys of the living conditions of the peasants who were poverty-stricken before 1949 conducted by Mr. Tao Meng-de. The consumption pattern of the Chinese in this period can be roughly shown in Table 1.

Table 1  
 Consumption Pattern of the Chinese Peasants Prior to 1949 (%)

Food	Clothing	Rent for house	Fuel & light	Miscellaneous	Total
64.9	14.0	5.3	7.5	8.3	100

In this table, we can see that at the level "starvation", the majority of income was spent on food and clothing. It was reported that the proportion of staple food was 89% while other food was 11% for the average peasants around Beijing area in 1927. Thus, a very large proportion of peasants' income was spent on staples to ensure their survival during the year.

### Changes of Rural Consumption Pattern During the Years from 1949 to 1978

The living standard of peasants improved during the 29 years from 1949 to 1978 as big changes had taken place in the rural consumption pattern although not continuously or uniformly. During the eleven years from 1954 to 1965, the net income per capita increased by 43.06 yuan (or 47.13% over what it was in 1954) by the year 1965. However, the growth frustrated by the so-called "Cultural Revolution" (1966-1976). During which time the increase of net income per capita decreased to 26.37 (or 24.6% of what it had been in 1965) by the year 1978. It is obvious that the growth rate of income per capita during the years from 1954 to 1965 was higher than that from 1966. Similarly, the rural consumption expenses per capita grew by 35.54% during the 12 years from 1954 to 1965 while the growth rate during the 13 years from 1966 to 1978 was only 22.03%. Obviously, the growth rate from 1954 to 1965 was higher than that from 1966 to 1978. (Chinese Statistics Annual Report, 1981)

Table 2 produced by Lin Bai-Ping, reflects the changes of consumption pattern and the relative priorities of expenditure categories. It is obviously that food consumption was always in the highest priorities throughout the

years (1954-1978). The percentage of income devoted to food varying from 63.30% (in 1963) to 68.59%. (in 1954) Meanwhile, Housing and Recreation usually claimed a small proportion of income. The percentage of income devoted to housing and recreation varied from 3.84% (in 1957) to 7.38% (in 1963).

Table 2

Changes of Relative Priorities of Expenditure Categories and expenditure properties (1954-1978)

Year	Total expenses	1	2	3	4	5	6
1954	100.00	Food (68.59)	Clothing (13.08)	Daily use (6.97)	Fuel (6.58)	Recreation (2.72)	Housing (2.06)
1957	100.00	Food (67.75)	Clothing (13.44)	Fuel (10.03)	Daily use (6.94)	Housing (2.10)	Recreation (1.74)
1963	100.00	Food (63.30)	Fuel (11.21)	Clothing (9.32)	Daily use (8.79)	Housing (4.71)	Recreation (2.67)
1965	100.00	Food (68.46)	Clothing (10.51)	Fuel (8.31)	Daily use (7.18)	Housing (2.83)	Recreation (2.71)
1978	100.00	Food (67.71)	Clothing (12.70)	Fuel (7.11)	Daily use (6.57)	Housing (3.16)	Recreation (2.71)

Changes of Rural Consumption pattern Since 1978

China began economic reform in 1978 initially in rural areas. The government instituted the Household Responsibility System (HRS). Where the land, still collectively owned, was now contracted out to individual households. Village authorities controlled only the contract allocation. Farm households became independent production and accounting units. This reform brought greater responsibility and control over outputs and production factors to the peasants. The increased incentives inherent in this system were accepted enthusiastically by the large rural population (on the order of 800 million) and a period of rapid growth was ushered in. As a result, the rural economy began to boom throughout the country and the peasants' income began to increase rapidly, which allowed their consumption quickly to rise as well. Table 3, the Chinese Statistics Annual Report, 1989,1998 demonstrates that the net income per capita in 1998 was 2028.41 yuan more than that in 1978. The large increase of peasants' net income had created favorable conditions for the large increase of consumption. An increase of 1474.25 yuan for consumption per capita in 1998 over that in 1978. The growth rate in 1998 was more than twelve times that in 1978.

Table 3

Income and expenses per capita of Rural Residents in China (1978-1998)

Year	Net income	Expenses	Food	Clothing	Housing	Unit: Yuan	
						Household appliances and services	Education & recreation
1978	133.57	116.06	78.89	14.74	11.95	7.62	3.16
1980	191.33	162.21	100.19	19.99	22.46	15.31	4.26
1985	397.60	317.42	183.43	30.86	57.90	16.25	12.45
1990	686.31	584.63	343.76	45.44	101.37	30.90	31.38
1995	1577.74	1310.36	768.19	89.78	182.12	68.48	102.29
1998	2161.98	1590.33	849.64	98.06	239.62	85.41	159.41

The amount of consumption in all consumption categories, such as food stuffs, garments, houses, household appliances and services, education and recreation had grown many times over what it had been before. Peasants' food consumption per capita reached 849.64 yuan in 1998, almost ten times more than that in 1978. From 1978 to 1998, the consumption of clothing had grown by 5.65 times, housing by 19.05 times and household appliances by 10.20 times. Meanwhile the consumption of educational and recreational goods and services had reached 159.41 yuan, which is 49.45 times more than that in 1978.

Throughout the 20 years from 1978 to 1998, China underwent a monumental reform and an opening to the world. The changes of China's rural consumption structure and individual spending priorities during this period represents the positive effects of growth and the maturing of the Chinese economy.

First of all, a declining tendency in Engel's coefficient appeared. The coefficient in 1978 was 0.68 and in 1998 it fell to 0.53, which indicated that the income level and consumption standards were both improving.

Secondly, with the growing income, a more varied diet became obtainable. Before 1978, the major component of the Chinese peasants' diet was staple food in which coarse food grain such as maize, sorghum and millet took up the largest portion. The consumption of staple food per capita was 51.33 yuan in 1978, accounting for 65.31% of the total food consumption while non-staple food such as meat and vegetable and other kinds of foodstuffs per capita cost 27.26 yuan (34.69% of the total.) The peasants' expenditure on staple food went up to 329.01 yuan in 1997, accounting for 36.95% of their food consumption while non-staple food and other foodstuffs took 57.68% of the total. The decline of the staple food consumption ratio and the rise of the non-staple food consumption ratio revealed that the peasants' diet had been much improved.

Thirdly, per capita floor space has been increasing and conditions for peasants' dwelling are improving. The dwelling area per capita in 1978 was 8.1m<sup>2</sup> and 22.45 m<sup>2</sup> in 1997.

Fourthly, the owning rate of durable consumption goods is growing steadily. There were 3.73 bicycles, 19.80 sewing machines, 24.33 clocks and 27.42 wrist watches per hundred peasant household in 1978. While there were 139.82 bicycles, 64.62 sewing machines, 74.39 clocks and 154.78 wrist watches per hundred peasant households in 1998. Since 1990, electronic appliances have begun to appear in peasants' houses and have become increasing popular thereafter. There were 96.16 TV sets, 9.25 refrigerators, 32.36 radio-recorders and 13.52 motorcycles per 100 peasant households by the year 1998.

Fifthly, there has been notable changes in consumption priorities. In 1978, the order was food, clothing, household goods and services, housing, education and recreation. The order in 1998 was food, housing, education and recreation, clothing, household apparatus and services. Observing the changes of the orders, we can see that consumption of housing and consumption of education and recreation had risen to the second and third places in 1998 whereas they were in the fourth and fifth places in 1978 respectively. This proves that as the benefit of economic growth reached the peasants, they were able to spend more of their income on non-necessities.

#### Trends in Rural Consumption Patterns

Rural consumption pattern has been evolving over time and with the aid of government policy this progress has been hastened. The general trend in rural consumption pattern can be shown as follows:

First, the consumption pattern of Chinese peasants has changed from the level of "poverty" to the level of "adequate food and clothing." Today it is headed to the level of "well-to-do."

The consumption pattern of Chinese peasants was characterized by "poverty" throughout the years from 1949 to 1982. The net income per capita in 1982 was only 207.11 yuan. During this period the peasants' income was at low level with a high Engels coefficient. The problems of food and clothing had not been resolved in many rural areas at that time.

From 1983 to 1988, the consumption structure had moved from the level of "poverty" to the level of "adequate food and clothing." The net income per capita was 309.77 yuan in 1983 and 544.94 yuan in 1988. Accordingly, the living standard had been radically improved. In addition, their bank savings had tripled, reaching 114.23 billion yuan by 1998. All these figures indicate that the problem of food and clothing in the vast rural areas had been solved during the year between 1983 and 1988. The net income per capita of Chinese peasants reached 601.51 yuan in the year of 1989. Since then the rural consumption structure has undergone the transition from the stage of "adequate food and clothing" to the stage of fairly "well-to-do" with a net income per capita of 2161.98 yuan in 1998.

Second, the proportion of income spent on food consumption has declined steadily while the proportion spent on other kinds of consumption has been increasing as rural income rises.

Third, new categories of consumption are increasing important within the consumption pattern. The proportion of income spent on traditional items is diminishing while the ratios of new items within their consumption pattern is expanding. After survival had been assured, the peasants began to spend more and more of their income on cultural and educational consumption goods and services.

Fourth, with increasingly urbanization in formerly rural areas, the consumption pattern become more homogeneous. This is especially evident in the areas where peasants were able to take advantage of their opportunities more quickly and in the areas where Township Enterprises developed. The difference between rural

residents and urban residents is getting smaller and smaller with regard to material consumption such as clothing, food, shelter and other necessities as well as cultural consumption such as recreation, education and travelling. In some developed rural areas peasants are leading a much better life than the average urban residents. There are two main factors that make this urbanization of rural consumption possible: one is that the steep increase of peasants' income allows more consumption choices. The other is that the urbanization of some rural areas has allowed a number of peasants to experienced city life for the first time. Correspondingly their consumption patterns transform naturally to that of urban areas or semi-urban areas. The urbanization of rural areas is characterized by the shift of employment from the farm to occupation more common in urban areas. This is typical of development in other countries as well. Moreover, the township enterprises are playing a leading role in the development of rural economy. They help hundreds of millions of peasants in the transition from traditional industries to non-agricultural industries. In the early 1980s the total number of workers in China's township enterprises were less than 30 million. By the end of 1998, it went up to 74.49 million. (In addition, there were about 40 million rural workers devoted to support functions.) Thus a total of more than 110 million workers worked in non-agricultural industries. These urbanized peasants, with their increased income, are much better-off than ordinary peasants. Towns and small cities are booming and being established anywhere rural industries are successful throughout the east part of China. This booming will bring the rural tertiary industries to a new stage of development and pave the way for the further urbanization of rural consumption. The end result being a narrowing of the gap between cities and villages and the gap between workers and peasants.

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### Endnotes

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