

Local Governments Across China Are Said to Face a Cash Shortage

By NICHOLAS D. KRISTOF and SPECIAL TO THE NEW YORK TIMES APRIL 15, 1989

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A desperate shortage of cash has left some local governments unable to pay farmers for their crops and may force many state-owned factories to close, official press reports and Chinese and foreign economists say.

The reports in People's Daily and other newspapers, confirmed by Chinese and foreign economists, grimly portray the difficulties China is facing because of its current economic retrenchment. Some experts worry that peasants may grow restive if they are not soon paid for crops they sold to the state six months ago.

Chinese peasants are typically forced to sell part of their crops to the state at a fixed low price, in return for access to fertilizer and other supplies.

Last fall, many local purchasing branches could not pay farmers cash for their crops and instead gave them i.o.u.'s that they said would soon be redeemed. Half a year has passed, and some peasants have received neither the money for their crops nor the fertilizer and other supplies.

In some areas of central China, county officials are going to small villages and searching farmers' homes for grain. When they find it, they seize it and hand out white slips as i.o.u.'s, said a university professor in Beijing. Resentment, Not Rebellion

The professor said that half a century ago, his father was a farmer who was so

outraged by the repressive agricultural policies of the Nationalist Government that he joined the Communist revolution. Not paying peasants for their grain will quickly alienate them from the Government, he said.

"That kind of behavior - that's why my father joined the Red Army," he added.

His point was not that armed rebellion is likely, but that resentment is spreading and that the Communist Party is sometimes perceived as the enemy in the same way that the Nationalists were earlier in this century.

Western diplomats and others who were interviewed said little is known about the extent of the problem. "We often speak of the potential for urban unrest," a Western diplomat said. "But unrest in rural areas is much more difficult to monitor. It's much tougher to know what is happening."

No one seems to know how many of these "white slips" have been handed out among the villages of rural China, or how much frustration has resulted. Most rural areas are closed to foreigners, and even for Chinese agricultural specialists it is difficult to get a sense of how widespread the problems are.

Most experts appear to believe that at least one-fifth of the nation's grain crop last fall was paid for in white slips. The Agricultural Bank of China initially asserted that all had been redeemed by the time of the Chinese New Year holiday in February. In fact, however, while the majority apparently eventually were redeemed, even the official reports make it clear that some are still outstanding.

Cannot Buy Fuel With White Slips

In Hunan Province, for example, peasants last fall were given \$24 million in white slips, and some \$11 million worth still have not been redeemed, a report to the National People's Congress said late last month.

No other provincial figures have been reported, but a scattering of local statistics suggest that farmers of grain, cotton and hogs are affected, and that the problem is significant in many parts of the country.

Just one county in Hubei Province, for example, has 100,000 peasants who are still holding white slips, the National People's Congress heard.

People's Daily, the Communist Party newspaper, reported last week that in one part of Inner Mongolia, only 37 percent of the crop has been paid for.

"Farmers received white slips for their grain, but they cannot use white slips to pay for the diesel oil they urgently need for spring plowing," the newspaper said in a front-page article.

A Shanghai newspaper, Liberation Daily, reported last week that purchasing

authorities in Shanghai were paying pig farmers for their pork with white slips instead of cash. In February and March alone, the purchasing stations in the Shanghai suburbs apparently paid out the equivalent of more than \$10 million in white slips to pig farmers.

Already, some farmers are refusing to hand over commodities to the state, Chinese officials and newspaper reports say.

While the most dire shortages of funds have been in rural areas, some large state-owned factories have also run out of money. People's Daily reported last week that some companies now pay only 40 percent of wages on pay day, and hope that the rest can be given out later.

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