

THE CHINESE COMMUNIST PARTY AND CHINA'S RURAL PROBLEMS

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## **Abstract**

Vast disparities exist between China's rural and urban areas. Throughout the history of Communist Party rule, ever-widening rural-urban inequality, problems with migration to the cities, and the threat of rural unrest have afflicted the countryside. Efforts by previous administrations have largely failed to solve the nation's rural problems. China's current leaders are determined to tackle these issues by means of a change in the direction in policy: the new focus is on sustainable development and social justice rather than rapid economic growth. At the same time, the central government hopes to strengthen the Communist Party's power base and reduce potential threats to its ongoing reign. While the new policy direction is expected to improve the standard of living of China's rural people and reduce social conflict in the short term, it may be insufficient to bring peace and satisfaction among the people in the long term.

## Introduction

This study seeks to investigate the relationship between the Chinese Communist Party and China's rural problems. It focuses on three problems of particular concern to China's current rulers: rural-urban inequality, migration to the cities, and rural unrest. It will place these problems in the context of the central government's attempts to deal with them since 1949. It will also attempt to assess the extent to which the problems of the countryside threaten China's social stability and the sustainability of the Communist Party rule, and it will ask whether the government's attempts to resolve those problems are likely to succeed. While this study covers four generations of Party leadership, the focus will be on the response of the current government to the three problems in question.

In most cases, history will be broken into four main sections according to the paramount Party leader of the day: Mao Zedong's era (1949-1978); the reign of Deng Xiaoping (1978 – mid 1990s); Jiang Zemin's era (mid 1990s-2002); and Hu Jintao's rule (2002-present). It should be noted that the dates applied to these four eras are used loosely in this study, and are not fixed in concrete. For example, it is well-known that Mao died in 1976, but the two years following his death were not much different from Mao's time due to Hua Guofeng's policy of keeping to Mao's ideology and commands; dramatic changes in policy did not come until Deng Xiaoping's economic reforms beginning in 1978. Similarly, in the first chapter, Deng's reign has been broken into two sections merely because the reforms implemented in his early years had very different implications for the peasants than the reforms that he introduced later.

What is the significance of this study? Firstly, the rural population has always been in the majority in China. While urbanisation is taking place at an increasingly rapid rate today, the bulk of China's people can still be classified as 'rural', with an official source putting the percentage of rural dwellers in 2005 at 57% of China's total population.<sup>1</sup> If we define the term 'rural' more generously, the figure is far larger, and another article points to the figure from the National Bureau of Statistics, which states that the rural population is more than 900 million, or 70.8 percent of the national

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<sup>1</sup> People's life, n.d.

total.<sup>2</sup> While statistics vary, mostly due to the millions of rural migrant workers who float between the countryside and the cities and therefore may or may not be counted as rural, people with close ties to the countryside are still the vast majority of China's population.

Secondly, this study will help to explain the evolution of and the reasons for the sharp demarcation between the rural and the urban areas. While it is not uncommon for a rural-urban gap to exist in developing countries, in China it is believed that this gap is uncommonly great for the nation's current state of development, and that this has been the result of both natural phenomena *and* state policy. This study seeks to describe and explain these phenomena and policies.

Thirdly, a study of the relationship between China's rural problems and the ruling Party is important because of the rural population's role in establishing Communist Party rule and advancing China's economic growth. The Chinese Communist Party's 1949 victory would not have been possible without the support of multitudes of peasants, and China could not have attained its current level of economic development without their contribution. The Party thus owes much to the nation's rural population. This study seeks to evaluate the historical response of the Party to its rural heritage and early power base, and to assess the Party's ability to maintain the favour and support of the rural people.

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<sup>2</sup> Agriculture: lifeblood of the nation, 2005

## Chapter 1

### Rural-Urban Inequality

Inequality between the cities and the countryside is an age-old problem in China. This chapter seeks to investigate and explain the evolution of rural-urban inequality, and will examine the way in which the various generations of leaders have dealt with this problem over the course of the history of Communist rule in China. Four major periods of Communist Party history will be covered – the Maoist era, the early Deng era, the late Deng and Jiang era, and the Hu era – each era being referred to by the name of its most prominent leader or leaders.

Questions that this chapter seeks to answer are: Has the countryside always lagged behind in the cities during the history of the People's Republic? During which periods have peasants been objects of exploitation, and during which periods have they lived under favourable conditions? How have the progressive phases of government policy influenced the degree of rural-urban inequality? To what extent has the Chinese Communist Party been responsible for the rural-urban gap, and what have been the other factors involved? How successful are current government policies likely to be in addressing the problem of inequality? Finally, is rural-urban inequality a threat to the Communist Party's rule in China?

#### **Mao's Era**

The time of Mao's chairmanship of the Party is an era during which peasants suffered a great deal as a result of inequality. It should be acknowledged at this point that rural-urban inequality had existed long before the CCP came to power, and the Communists merely inherited this problem; they did not initiate it. Not only did great inequalities exist, but much of China was also poverty-stricken, and so its new leaders embarked on a mission to eradicate poverty and develop the nation by building socialism.<sup>3</sup> However, Mao's era was a time of great contradictions. Although under Mao the Communist Party allegedly sought to create an egalitarian society and propagated this idea widely, in reality the period 1949-1976 laid the foundation for

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<sup>3</sup> Spence, 1990, p.541

the major exploitation of the peasantry. Great inequality lay hidden beneath the semblance of equality.

The exploitation of the peasants during the reign of Mao was played out in three main situations. Firstly, it was from the countryside that the CCP extracted the majority of funding for urban industrialisation. Secondly, although the peasant tax burden was already heavy, the peasants were not entitled to the social benefits that urban workers were granted, contributing to the existing problem of inequality. Thirdly, it was the peasants who bore the brunt of the catastrophic Great Leap Forward.

During Mao's time the peasants were greatly exploited as a result of the Party's drive to modernise and industrialise the nation. Earlier on in Soviet history, Lenin had had the original idea of extracting money from agriculture to fund the industrialisation of the cities.<sup>4</sup> Stalin then took this idea to an extreme in the 1930s. The same concept was applied to the Chinese context after the People's Republic was founded. Several stages were involved in the socioeconomic reform of the countryside in order to extract the surplus necessary for funding industrialisation.

The Party needed to treat the peasants well when it first came to power. The peasantry, comprising the bulk of China's population, were a crucial component of society to the Chinese Communist Party – in fact, during the Communist-Kuomintang civil war and in the early years of Communist rule, they formed the majority of the Party's power base. After the Communist victory over the Kuomintang in 1949, the new ruling Party had to maintain this power base by way of the continued support of the peasants. The land reform process was one of the Party's chief measures for sustaining this support.

One of the main procedures during the land reform period, which occurred during the years 1950 to 1952, was the confiscation of land from the landlords – a parasitic class for which Mao saw no use. Members of this former rich, exploiting class were also severely persecuted. This social and political humiliation was one of the purposes of the land reform process; rural China's landlords were effectively "liquidated as a class" during these early years of Communist rule.<sup>5</sup> This gave peasants a chance settle old scores with their enemies, as they had done during a similar experimental period of land reform in the late 1940s before the CCP had come

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<sup>4</sup> Meisner, 1999, p.106

<sup>5</sup> Barnett, 1953, p.189



to power.<sup>6</sup> Once confiscated, the land was divided into small lots and redistributed among all peasants, including those who were poor and previously landless. During this time the peasants gained revolutionary experience and were able to feel that they had new power to direct their destiny.<sup>7</sup> They were also able to strengthen their commitment to the Party through the process of verbally denouncing their former oppressors. In this way the peasants were allowed to feel a debt of gratitude towards the Party for their new-found freedom from exploitation. The Party took pride in claiming that, for once in Chinese history, those who laboured and tilled the soil were the ones who owned the land, despite the fact that this phase of family farming was to be short lived. Although poverty was still a problem in these early years, peasants were in general no longer taken advantage of by idle land-owners. Thus in the first few years of Communist Party rule, it appeared that peasants – at least the poor ones – were a favoured sector of society, since the land reform process allowed families to farm independently rather than being oppressed by rich landlords.

Despite the Party's seemingly good intentions towards the peasants, however, land reform failed to bring the countryside up to the same standard of living as that of the cities; while the economic disparity was somewhat diminished, "it was by no means an egalitarian leveling".<sup>8</sup> Inequality also persisted within the countryside. What is more, farmers' incomes were restricted because the grain procurement system instituted during land reform prohibited them from making private grain sales. Under this system, the peasants were obliged to sell more than a quarter of their grain to the state at low prices in order for the government to supply food to the cities; as a result the peasantry's wages were kept low.<sup>9</sup> This was an indication that the Party was beginning to have more and more control not only over the rural economy but over society as well. Meisner writes that the introduction of political activity in the lives of the peasants was the Party's means of establishing a power base in the villages, with the purpose of enabling the state to have access to more grain.<sup>10</sup> In addition to this, it transpired that the period of land reform was only intended to be a temporary stage in the rural socioeconomic reforms, and was to be a stepping stone towards the next

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<sup>6</sup> Spence, 1990, p.492

<sup>7</sup> Meisner, 1999, p.101

<sup>8</sup> Ibid, p.99

<sup>9</sup> Spence, 1990, p.544

<sup>10</sup> Meisner, 1999, pp.100-101

stage of socioeconomic reform – the introduction of agricultural collectivisation.<sup>11</sup> Although during the land reform process, the Party did make vague references to future collectivisation, many peasants were under the impression that individual farming was to be a permanent institution under communist rule.<sup>12</sup>

In 1953, once the land reform process was in general completed, the ‘transition to socialism’ was announced. One of the requirements of socialism, according to both Marx and Lenin, was the capitalist development of modern industry on a large scale – an end which China had not yet reached. The backward economic situation in China also conflicted with Marx’s idea that for a country to skip the stage of modern capitalism and jump to socialism while still experiencing major economic deficiencies was a dangerous path to go down.<sup>13</sup> Indeed, China had a very weak industrial sector in the early 1950s. Despite this deficiency, however, the First Five-Year Plan called for the development of heavy industry, in line with the Soviet method for rapid industrial growth. In order to achieve this development, thousands of Russian scientists and technical advisers were sent to China to aid the development of industry and infrastructure under the Sino-Soviet agreement.<sup>14</sup> The important fact to note here is that it was from the countryside that the State would draw the majority of capital needed to finance this industrialisation process. China’s leaders were convinced that large-scale agricultural collectivisation would be able to produce the surplus agricultural production that the nation needed to fund industrialisation.<sup>15</sup> Thus agriculture was gradually collectivised throughout China, beginning with the formation of mutual aid teams, followed by cooperatives and then collective farms.

It was the peasants, as the principal taxpayers, who provided most of the capital to support industrialisation. Not only did they have to pay heavy taxes in grain, but, under the grain procurement system, they were also obliged to sell high quotas of their grain to the State at low prices determined by the government. As mentioned above, the Party had already established a high level of control in the countryside, making tax collection and grain procurement possible. Roughly 30 percent of farm proceeds went to both the central and local governments.<sup>16</sup> Friedman writes, “Since 1953, by state confiscation of grain (called state purchase), by state prohibition of

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<sup>11</sup> Barnett, 1953, p.188

<sup>12</sup> Ibid, p.189

<sup>13</sup> Ibid, p.104

<sup>14</sup> Spence, 1990, p.544

<sup>15</sup> Barnett, 1953, p.190

<sup>16</sup> Knight and Song, 1999, p.12

physical mobility after 1960, and by payment to farmers at below-market prices, China's rural dwellers had been ruined by repressive institutions and exploitation that were legitimated as socialism".<sup>17</sup>

The peasants suffered in other ways, too. During much of the Maoist era, they were not allowed the use of private plots of land. This assertion of control over farmers' agricultural activity ensured that the state could extract as much produce as possible from the countryside. This also had the effect of preventing farmers from earning any additional income that might supplement their meagre wages. The prohibition of private land reduced peasant incomes and increased rural-urban disparity. One campaign during which this ban on private plots was particularly disastrous was during the Great Leap Forward, when private plots might have helped peasants survive during the worst of the famine. Also, during much of the Maoist era, there were no free markets on which farmers could sell their produce. Prices were strictly controlled by the State, and this contributed to low rural incomes. Some exceptions were made during certain periods – for example, after the Great Leap Forward, government policy was relaxed to allow for some private plots for a limited amount of time, while some communes temporarily broke down into cooperatives.<sup>18</sup> However, this relaxation was short-lived, and farming on private plots was abolished once again during the Cultural Revolution.

China's peasants did at times react against state control over agriculture. There were a number of large-scale decollectivisation movements between 1956 and 1978, initiated by farmers disillusioned with collectivised agriculture and eager to return to family farming. Kate Zhou identifies four such movements, of which the first three were crushed.<sup>19</sup> This suppression implies that China's leaders firmly believed that collective farming would benefit the peasants and the nation. In particular, the success of the massive irrigation and water conservation projects undertaken by peasants between 1957 and 1958 spurred Party leaders to believe that agriculture could also be radically transformed by a united effort by the peasantry.<sup>20</sup> Not only this, but the Party was committed to having firm control over farming in order to maximise the amount of grain it could take from the peasants, and the retention of collective farms was significant in this aspect. Michael Kochin writes that in both the Chinese and Soviet

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<sup>17</sup> In Zhou, 1996, p.xiii

<sup>18</sup> Spence, 1990, p.581

<sup>19</sup> Zhou, 1996, p.30

<sup>20</sup> Spence, 1990, p.578

regimes, “Only by expropriating the peasantry completely through collectivization could the state achieve both high levels of investment in agriculture and high levels of extraction.”<sup>21</sup>

Thirdly, peasants were tied to the land. Migration to the cities, particularly during certain periods, was extremely restricted. Although early on in the Maoist era and then later during the Great Leap Forward, farmers began to flock to the cities, searching for jobs in the early days of industrialisation, this movement was quickly quelled by way of the strict *hukou* system, or household registration system. The institution of the *hukou* system meant that farmers’ means of income were limited. Because farmers were tied to the land, the state could ensure that as many as possible were engaged in grain production. The issue of rural-urban migration will be discussed in more depth in the following chapter.

It should be acknowledged that while rural dwellers endured great hardship compared to those in urban areas during this first era, it was not Mao’s intention to make the peasants suffer. It is well-known that he was fond of peasants, believing that they were innocent, simple and pure. They were for the most part illiterate and politically ignorant. Mao saw the peasants’ China as “blank”, “avid for change” and “filled with revolutionary spirit”.<sup>22</sup> As such they were inherently malleable and were the ideal type from which to form the Communist ‘new man.’ By building socialism, Mao also wanted to raise the standard of living of the peasants and reduce rural-urban inequality. This can be seen in Mao’s launching of the Cultural Revolution: his aim was, in part, to reconcile two of the “three great differences,” which were differences between the town and the countryside, and between workers and peasants.<sup>23</sup> It should not be inferred, however, that, because of Mao’s strong ideals regarding egalitarianism, such a society was achieved. Zhao Renwei writes that although social equity was a key goal of policy-makers in the pre-reform era, inequality, including rural-urban income inequality, did exist. He argues that while pre-reform China was a reasonably equal society in terms of income distribution, this did not entail that the standard of living or the welfare system were equal.<sup>24</sup>

After the launching of the first 5-year plan, Mao began to advocate the speeding up of the socialisation process in the countryside. In the summer of 1955, he

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<sup>21</sup> Kochin, 1996, p.725

<sup>22</sup> Schram, as cited in Liu, 1971, p.29

<sup>23</sup> Meisner, 1999, p.368

<sup>24</sup> Zhao, 2001, pp.26-27

emphasised his belief that the purpose of agricultural collectivisation should not be viewed merely as a method of extracting more and more funds from the peasants through increased production, but also as a solution for raising the living standards of the peasants and bringing them other social and economic benefits.<sup>25</sup> Ironically, it was during the phase of collectivised agriculture that the peasants suffered the most in Mao's era.

It is important to note here that Mao occasionally overrode the wishes of other top-ranking Party officials, and that decisions made during the first decade and a half of Communist Party rule were not necessarily representative of the majority of the Party. A number of Mao's ideas were considerably more radical than those of other Party leaders. For example, while some leaders preferred to follow the Soviet pattern of socioeconomic development rather rigidly, Maoist leaders rejected this in favour of what was often a more radical version of socialism. Towards the end of Mao's rule, however, anyone who dared to oppose his decrees was in danger of severe humiliation and expulsion from their position. This can be seen in the example of Liu Shaoqi, who, once considered second-in-command after Mao, fell from grace in the Cultural Revolution.

Not only did the extent of rural-urban inequality in Maoist China exist because the countryside was made to support the cities through the grain quota and heavy taxes, but also because farmers were not entitled to the social welfare that city-dwellers enjoyed. The 'iron rice bowl,' or *tie fanwan*, allowed urban workers access to services such as education, health care and housing, and these benefits were guaranteed for life. No such benefits existed in the countryside, however. This put rural-dwellers at a serious disadvantage.

Another reason why rural-dwellers were poorly off compared to urban residents in Mao's China was because of the disaster of the famine which occurred during the Great Leap Forward. One of the government's motives for relying so heavily on agricultural production during the Leap was in order to repay the enormous debt owed to the Soviet Union for its former aid in industrialisation projects. In order to meet the government's demand for high grain production, rural cadres began competing with each other to produce high quantities of grain and so gain the favour of the central government. These cadres even went to the extent of misquoting

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<sup>25</sup> Meisner, 1999, p.140

production figures, as well as using harmful farming methods such as sowing too early, growing unsuitable crops, and planting seeds too close together in order to outdo other communes.<sup>26</sup> As rural cadres had a lot of power and influence over the peasants under their jurisdiction, many peasants also joined in this competition, even disregarding their knowledge of conventional agricultural practices. As the central government set the grain tax based on these erroneous production figures, it took much more grain than the peasants could afford to give, and the rural areas consequently suffered a terrible grain shortage, exacerbated by unfavourable climatic conditions. Also during this time, grain exports to the Soviet Union rose in order to pay for heavy machinery that China needed, so less grain was available to the Chinese themselves. While an average of 205 kilograms of grain had been available to each person in China's rural areas in 1957, this figure fell consistently over the following four years, ending in a trifling 154 kilograms in 1961.<sup>27</sup> The result was one of the worst famines recorded in Chinese history. It was the peasants who bore the brunt of this famine. While Spence believes that the famine took 20 million lives or more,<sup>28</sup> Becker suggests that as many as 30 or 40 million people died – figures differ so greatly because the available reports vary widely.<sup>29</sup> While urban residents also faced food shortages during this time, there were very few in the cities who died due to starvation. This catastrophic event signifies the tragedy of political hype taking precedence over common sense. While it shows a certain amount of neglect of countryside on the part of the central government, local officials and even peasants themselves were also partially to blame. If the top Party leaders had had a real idea of what was going on in the rural areas, they would have likely put an end to the competitiveness in favour of more realistic grain production strategies.

### **The Early Deng Era**

Following the death of Mao Zedong in 1978, the peasants' lot began to change. The next section will outline the trend of rural-urban inequality under the rule of Deng Xiaoping. Deng's reign as China's top leader is divided into two segments in this chapter. This is because during his early years in power, the plight of the peasants was

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<sup>26</sup> Becker, 1996, p.111

<sup>27</sup> Spence, 1990, p.583

<sup>28</sup> Ibid, p.583

<sup>29</sup> Becker, 1996, p.230

significantly different to that towards the end of his rule. The section immediately below will examine the changes that occurred in the early Deng era and the effects of these changes on China's rural residents.

The country was so economically impaired in the aftermath of the Cultural Revolution that drastic measures needed to be taken to improve the livelihood of the people and to help China to catch up with the rest of the world. As in the Maoist era, the countryside was overpopulated and underproductive. To cite an example of the slow growth that rural China was experiencing, Harry Harding states that per capita incomes in the countryside had increased at an average rate of merely 1.6 per cent from 1957 to 1979.<sup>30</sup>

One of the first elements of reform undertaken by Deng's administration from 1978 was the agrarian reform, intended to loosen up the rural economy. Following the dismantling of the system of collectivised agriculture, a system of family farming returned to rural China with the introduction of the household responsibility, or *baochan daohu*. Under this system, while peasants did not essentially own the land they farmed (even though a certain degree of private ownership of enterprises and businesses in China was allowed under the reforms, which was mostly limited to ownership of enterprises and businesses), they settled contracts with their production team for use of the land. Farmers were obliged to pay a quota of their produce to the team to fulfill the state tax and grain requirements, but were more or less free to farm as they pleased. This was the first time in a long time when farmers were granted a choice in what they produced. The return to family farming was supposed to encourage agricultural production, since collectivised agriculture had proved to be largely ineffective. According to Kochin, "The same scheme of expropriation that produced efficiencies in extraction from peasant consumption ... also produced inefficiencies in production and investment allocation."<sup>31</sup>

Kate Zhou argues that in some areas it was the farmers, not the central government, who initiated the return to family farming in the late 1970s; the government's actual role, she believes, was legalising and propagating the decollectivisation movement rather than initiating it.<sup>32</sup> She believes that the farmers are due more credit for the decollectivisation process than they have so far received.

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<sup>30</sup> Harding, 1987, p.32

<sup>31</sup> Kochin, 1996, p.732

<sup>32</sup> Zhou, 1996, p.9

While this may be true of some enthusiastic farmers in a limited number of regions, in reality the state enforced the *baochan daohu* system all over China, whether or not the peasants were willing to leave the collective system. The fact that China's leaders legitimised the move to return to family farming indicates that they saw that the entire nation could benefit from the increased productivity in the countryside, thus central government policy can be ultimately credited for the benefits that peasants gained from the return to family farming.

In many cases, family farming was more efficient than communal farming, and the majority of peasants were initially better off than they had been during the Cultural Revolution due to increased production. The government also paid much higher prices for grain and other agricultural products, which provided an additional incentive for farmers to increase production. As a result of the increase in prices paid for grain, as well as the introduction of a free market and alternative income sources, over 200 million peasants escaped from extreme poverty after the beginning of the reforms.<sup>33</sup> One World Bank estimate suggests that rural poverty in China dropped by about two thirds from 1978 to 1985.<sup>34</sup> According to one set of figures, rural per capita income (in real terms) increased more than 10 percent per year from 1978 to 1984.<sup>35</sup> This income growth in the countryside even helped to reduce the rural-urban gap at the outset.

The variety of rural employment activities increased dramatically as a result of the early reforms. Rural residents were no longer restricted to growing staple crops such as grain. Specialised households that grew cash crops or opened small businesses such as repair shops saw a rapid increase in income, profiting much more than those who continued to grow ordinary staple crops.<sup>36</sup> Not only did this provide a valuable source of income for families, but it also succeeded in making country life more colourful and enabled rural residents to have a more varied diet (although many peasants took the bulk of their produce to urban areas for sale). It can be noted, however, that the development of specialised households also contributed to income inequality within the countryside itself.

The development of rural industries, particularly in the form of township and village enterprises (TVEs), also prompted an economic boom in the countryside in the

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<sup>33</sup> Rozelle, Park, Benziger and Ren, as cited in Oi, 1999b, p.616

<sup>34</sup> Zhang, as cited in Song, 2005, p.5

<sup>35</sup> Rozelle, 1996, p.64

<sup>36</sup> Meisner, 1999, p.462



early years of Deng's rule. TVEs were born in very primitive forms during the Maoist era, but during those early years they were limited to the function of supporting agriculture.<sup>37</sup> However, these rural enterprises took off in the post-Mao era. Beginning in the 1980s, the Chinese government allowed farmers to engage in rural industry under the slogan *li tu bu li xiang, jin chang bu jin cheng* (leave the field but not the countryside; enter the factory but not the city). Thus farmers could participate in non-agricultural activities while still living in rural areas.<sup>38</sup> Rural non-agricultural activities were not limited to manufacturing-type industries, but also included construction, commerce and transportation. The new policy, while attempting to keep rural to urban migration rates low, enabled surplus rural workers to find alternative forms of employment. Oi states that by the middle of the 1980s, rural industry had become the fastest growing sector in the Chinese economy.<sup>39</sup> Koo and Yeh attribute the initial boom in the TVEs to a number of factors:

the peasants were highly motivated to increase their incomes, the surplus workers were eager to seek employment, the economic transition provided the opportunity, the entrepreneurs led the drive, and the local officials lent their political support for the rural enterprises to develop, at a time when the central authorities allowed, albeit hesitantly, the transition to proceed in the rural areas.<sup>40</sup>

It was, on the whole, good to be a peasant in these early days of reforms. During the early 1980s, as a result of the changes in policy and the consequent economic growth described above, the standard of living of many rural residents increased, and many were lifted out of poverty. According to the 1998 China Statistical Yearbook, net income increased from less than 150 yuan per year in 1978 to almost 400 yuan in 1985.<sup>41</sup> Another source cites an increase in mean per capita income for rural households of approximately 250 percent between 1978 and 1987, not accounting for inflation.<sup>42</sup> However, the early boom in the countryside generated by the reforms did not last forever.

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<sup>37</sup> Naughton, 1999, p.302

<sup>38</sup> Ho, 1995, p.360

<sup>39</sup> Oi, 1999b, p.616

<sup>40</sup> Koo and Yeh, 1999, p.324

<sup>41</sup> As cited in Oi, 1999b, p.616

<sup>42</sup> Nee and Su, 1990, p.5

## The Late Deng and Jiang Eras

Despite the initial increases in peasants' income and the improvements in agricultural methods in the early reform era, prosperity in the countryside was for the most part short-lived. While the urban-rural income gap actually narrowed in the early 1980s, from the mid 1980s to the mid 1990s – which can be considered the second phase of Deng's rule – the disparity between the countryside and the cities became increasingly greater.<sup>43</sup> This was the beginning of an upward trend in urban-rural inequality. According to Song, the rural-urban inequality ratio in 1999 was just as high as it had been before the reform era.<sup>44</sup>

At this point it is important to understand that when Deng Xiaoping initiated the first economic reforms, it was believed that a certain degree of inequality should be tolerated because while some people would initially benefit from the reforms, universal prosperity would eventually follow. It was not the official purpose of the economic reforms to stray from the ultimate goal of socialism – although the element of revolution was effectively eliminated from the Chinese version of socialism.<sup>45</sup> Rather, the reforms were intended to spur economic growth, which would in turn help China to attain the level of development necessary for building socialism. It was also acknowledged that the purest stage of communism would not be attained until a time in the remote future. Thus despite the pursuit of socialism in both pre-reform and reform China, the foundation that Mao had laid for the historical pattern of peasant exploitation was now built on once again, demonstrated by the widening of the rural-urban gap. What were the reasons for the decline in the farmers' situation?

Firstly, Deng's government, from the mid-1980s onward, similarly to in the 1950s, relied on the countryside to support urban development. This had been one of the purposes – albeit not the only purpose – of encouraging agricultural production via the household responsibility system. According to Meisner, the decollectivisation of agriculture during Deng's agrarian reforms in 1979 to 1980 was “motivated by the old economic need of the state to extract the surplus from the villages to finance the modern economic development of the nation, now known as the Four

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<sup>43</sup> Zhao, 2001, pp.28-29

<sup>44</sup> Song, 2005, p.7

<sup>45</sup> Dirlik, 1981-1982, p.634

Modernizations.’<sup>46</sup> The release of China’s masses from the politicisation of everyday life, along with the relaxed economic policy under Deng created an atmosphere fresh and different from that of the Maoist era, but the concept of extracting village capital to finance growth in the cities was the same. While it can be argued that Deng’s reforms also did much to raise the standard of living of rural residents, the key point to be grasped here is that the fruits of rural development were used to fuel urban development rather than staying in the countryside to sustain rural development.

Secondly, by the mid 1980s, the farmers had already reaped all the easy gains possible during the early agricultural reforms. After the initial boom in production, any additional improvements were impeded by the shortcomings of Chinese agriculture – namely the low technological level of agricultural methods and low labour productivity. The household responsibility system had allowed the farmers’ standard of living to increase rapidly for a few years, but after these years production failed to significantly increase. Grain production slowed considerably after 1985.<sup>47</sup> Rozelle understands that from 1984 to 1990, real per capita income in rural areas showed essentially no growth; he writes that the average annual rural income in the 1984-1985 period was 336 yuan per capita, while in 1989-1990 the figure was still a mere 338 yuan.<sup>48</sup> After the initial boom in the agricultural sector, the strategy of China’s leaders was to shift their focus to other sectors which could produce rapid economic growth. Harding writes:

The incremental nature of reform – starting with the easier problems first, where the gains were likely to be rapid, and where the benefits would far outweigh the costs – helped develop and maintain a popular base for the reform program.

It can be argued, however, that as well as maintaining the support of its citizens, this strategy did create heavy social costs as well as economic benefits – costs which the Chinese government is still faced with today. Not everyone was content with their lot, as will be discussed in Chapter 3.

A third reason why rural-urban inequality increased during this time is that the TVEs, which had been so successful in the 1980s, proved to be problematic from the early 1990s.<sup>49</sup> The productivity of rural industry saw significant declines from this

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<sup>46</sup> Meisner, 1999, p.460

<sup>47</sup> Oi, 1999, p.618

<sup>48</sup> Rozelle, 1996, pp.64-65

<sup>49</sup> Oi, 1999, pp.616-617

time. Fewsmith gives a variety of reasons for the decreasing success of rural industries. In particular, the increasing privatisation of TVEs was no doubt the cause of many layoffs-off and the consequent boost in rural unemployment.<sup>50</sup> Also, many TVEs were plagued by financial woes as they struggled to obtain bank loans from state-owned banks; not only this, but many enterprises had made unwise investments, the consequences of which proved to be burdensome.<sup>51</sup> Eyferth, Ho and Vermeer believe that the dramatic growth of rural industries that occurred in the 1980s can be attributed to the “pent-up demand after decades of underconsumption” and also to the underproductivity and inefficiency of urban state-owned enterprises. By the middle of the 1990s, growth from rural industries had for the most part slowed to a halt.<sup>52</sup>

Many TVEs suffered a great deal as a result of the nation-wide recession from 1989 to 1990. Samuel Ho writes that in order to control inflation that had accumulated due to rapid economic expansion from 1987 to 1988, interest rates were increased, bank credits were limited, many investment projects were put on hold, and price control was re-introduced (it had previously been relaxed). While these measures were successful in reducing inflation, they also interrupted economic growth. Many non-agricultural industries such as TVEs, which had become heavily dependent on bank credits, suffered during this recession period. Also during this time, a great number of workers were laid off, the average annual growth rate of RGVIIO (rural gross value of industrial output) decreased substantially (from 32 per cent in 1987-1988 to 12 per cent in 1989-1990), and a large number of TVEs were closed down.<sup>53</sup> The recession once concluded, rural non-agricultural activities did begin to fare better. In particular, Deng Xiaoping’s famous southern tour in 1992 instigated more rapid reforms which allowed sensational growth in the national economy. This in turn helped the rural economy to grow, particularly in the non-agricultural sectors, although the benefits for rural areas were pitiful compared with the rapid growth and development in urban areas. Despite the fact that rural industry did initially take off again following the recession, it became decreasingly productive during the era of Jiang’s third generation of leadership. The inefficiency of many of these enterprises, similarly to the case of the urban state-owned enterprises, or SOEs, has had a problematic effect from the 1990s to the early years of the 21<sup>st</sup> century.

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<sup>50</sup> Albert Park, as cited in Fewsmith, 2001a, p.579

<sup>51</sup> *China’s Agricultural Situation* as cited in Fewsmith, 2001a, p.579

<sup>52</sup> Eyferth, Ho and Vermeer, 2004, p.5

<sup>53</sup> Ho, 1995, p.364

Additionally, while TVEs did much to raise peasants' incomes and reduce rural-urban inequality in their heyday, it should also be acknowledged that the most productive TVEs, as well as those which provided the most growth from export, were concentrated in eastern coastal regions, while those located in inland regions were not as successful. Not only this, but these enterprises did little to ease the burden of surplus rural labour in China's interior.<sup>54</sup> This is another example of how inequality existed between different regions in the countryside.

Fourthly, the second wave of reform under Deng for the most part allowed for the rapid development of urban areas while the countryside lagged behind. The opening up of China's coastal cities under the 'Open Door' policy in the early days of the reforms, which was designed to give the cities a head-start in the development process, had a significant part to play in generating urban-rural inequality. The coastal urban areas, when they were allowed to develop under favourable conditions, became prosperous much more quickly than regions that did not benefit from the special policies. In particular, the Special Economic Zones (SEZs), mostly located along China's east coast, became rich almost overnight.

The basis for the introduction of the 'Open Door' policy and the establishment of Special Economic Zones was China's need to attract sources of capital from outside the country, since at this stage it had so little of its own to rely on. The Open Door policy was designed to draw foreign investment and technology into China and also to increase China's export base, since it was those overseas and not those within China itself who could afford to spend lots of money to buy Chinese-made products. SEZs, which have been described as "export-oriented enclaves ... that had, initially, almost no links to the remainder of the economy",<sup>55</sup> were initiated at the beginning of the Open Door policy, and were intended to be models of reform for the rest of China. Xiamen, Shantou, Zhuhai and Shenzhen were the first cities to open up to foreign investment and to offer tax incentives to these investors, since they were already the most developed regions in China and thus were most favourable for absorbing foreign technology and investment.<sup>56</sup> While these four zones were initially established, the rest of the Chinese eastern coast followed within a decade, so that the coastal regions flourished while China's hinterland still had little in the way of foreign investment.

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<sup>54</sup> Fewsmith, 2001a, p.578

<sup>55</sup> Naughton, 1999, p.309

<sup>56</sup> Tzeng, 2001, p.271

Harding refers to the area of coastal China home to 200 million people as the “development belt” which prospered under the influence of imported technology and the investment of foreign capital.<sup>57</sup> It should be noted, however, that despite their economic prosperity, the SEZs were rendered places of exploitation of Chinese workers by foreign capital, for foreign companies took advantage of the preferential policies in these areas.<sup>58</sup>

The Open Door policy proved to be a tremendous success for China’s national economy. However, the countryside benefited little from this growth, with the exception of those peasants who lived in areas close to the wealthy eastern urban centres. These peasants profited greatly by selling their produce to rich urban residents, or by providing other goods and services to people in the city.

Yet another reason why the rural-urban divide became increasingly evident in the late Deng and Jiang eras is that the government ruthlessly pursued economic growth rather than social and economic equality. In the words of Scott Rozelle, at the beginning of the reform era, China’s leaders “acknowledged the nation’s need to modify its commitment to egalitarianism.”<sup>59</sup> Deng Xiaoping’s economic reforms fuelled a massive economic boom under the guiding principle that “to get rich is glorious”, which was complemented by the well-known slogan, “some must get rich first.” This latter catch-phrase justified Deng’s belief that rapid economic growth could not be pursued in all of China’s regions at the same time, but rather that a few already advantaged areas needed to become economic strongholds before development could shift to the rest of the country.<sup>60</sup> This is commonly referred to as the ‘trickle down theory.’ Despite the improved standard of living of the countryside and the development that occurred in the 1980s and 1990s, economic growth, rather than equality, was still the priority of Deng’s government. In fact, Deng even went to the extent of propagating the idea that “Low-speed development is equal to stagnation or even regression,”<sup>61</sup> and that “Slow growth is not socialism”.<sup>62</sup> Jiang subsequently took this priority to an extreme, launching a virtually uninhibited pursuit of GDP growth. During this time, economic growth in the cities was phenomenal, while the countryside had little chance to benefit from the national economic growth. This

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<sup>57</sup> Harding, 1987, p.167

<sup>58</sup> Meisner, 1999, p.457

<sup>59</sup> Rozelle, 1996, p.63

<sup>60</sup> Li, 2001, p.79

<sup>61</sup> Meisner, 1999, p.516

<sup>62</sup> Ibid, p.520

accounts at least in part for the tremendous urban-rural gap that can be observed today.

Following Deng, Jiang Zemin's government sought to establish a *xiaokang shehui*, or a well-off society. This was intended to produce moderate wealth for the bulk of China's population. In order to achieve this, the government favoured rapid economic growth regardless of the social cost. One of the central government's most popular methods used to attain high GDP growth was to focus on attracting fixed-interest investment, especially from foreign countries, and also to rely greatly on exports for revenue. What this mainly accomplished in terms of its influence on inequality was that the eastern coastal region, which had the benefit of a longer history of foreign investment and more developed transport and communications, grew much richer than the inland and western regions. During the Jiang era, China certainly did prosper overall, but the problem of inequality also worsened, particularly in terms of the rural-urban divide. Interestingly enough, rural poverty continued to decrease even while the rural-urban gap was widening. According to Song, rural poverty fell from 35 percent in 1988 to 16 percent in 2002, using the dollar a day poverty line.<sup>63</sup> However, while some rural households did attain the goal of *xiaokang*, many remained in poverty or severely disadvantaged. The tax burden also remained too high a price for many farmers to pay – an issue that will be discussed further on in this chapter.

The debt of village and township governments is another reason why the rural areas lagged behind. The fiscal decentralisation begun under Deng made local governments responsible for accumulating the bulk of their revenue. Then in 1994, according to one article on China's government web portal, grassroots governments began sharing tax revenue with the central government, which meant that the burden of education, social security, health care and wage payment was left primarily in the hands of the grassroots government while these local governments were deprived of many of their former sources of revenue, with the exception of the agricultural, industrial and commercial taxes. Furthermore, many local governments borrowed funds to invest in infrastructure and resources in order to comply with the legislation prescribing compulsory education, but a number of these governments were unable to extricate themselves from debt. The same article describes local debt as “the biggest

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<sup>63</sup> Song, 2005, p.5

block to deeper rural reform”.<sup>64</sup> Thus rural-urban inequality impacted rural governments and not just individual farmers.

It is important to recognise that the vast rural-urban gap that opened up in the reform era has not been limited to income inequality, but also extended to inequality of education and health care facilities and services. (Indeed, educational attainment can be linked to income in many cases.) Song asserts that “The most important factor affecting a person’s educational attainment, or enrolment, after her age, is whether she lives in a rural or urban area”.<sup>65</sup> She explains that rural dwellers are, on average, less educated than urban dwellers by a mean of 4.6 years, and that rural areas have lower quality teachers and less expenditure per pupil in comparison with city schools.

While education was compulsory and free by law, the reform era saw a crisis of school drop-outs in rural areas. Becker comments on the compulsory education law that was instituted in 1986. He writes that the problem with this law was that local governments were expected to finance the bulk of the costs of education. The result was that many schools charged admission or extra fees. A large number of families could not afford to send their children to school, and consequently “The shortage of government funds led to an acute crisis as the drop-out rate in primary schools reached 35 per cent or some 8 million children. In poor rural areas these were usually girls”.<sup>66</sup> This is one reason that illiteracy remained a problem in rural China. According to a population sample survey in 2005, the total illiterate population aged 15 and over numbered 11.04 per cent; 16.15 per cent of females aged 15 and over were illiterate, while the figure for males was only 5.86 per cent.<sup>67</sup> To add to the problem, the tax reform of 1994 wreaked havoc on the countryside’s education and health care system because of the negative effect the reform had on township and village finances.<sup>68</sup>

Funding rural education remained a colossal task. According to a news story on China’s government web portal, schools in rural areas made up the bulk of the nation’s schools at the time of writing. That is, 95.2 per cent of primary schools, 87.6 per cent of intermediate (junior high) schools and 71.5 per cent of (senior) high

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<sup>64</sup> Agriculture: lifeblood of the nation, 2005

<sup>65</sup> Song, 2005, p.7

<sup>66</sup> Becker, 2000, pp.214-215

<sup>67</sup> China Statistical Yearbook 2006

<sup>68</sup> Fewsmith, 2001a, p. 577



schools were located in rural areas.<sup>69</sup> While these figures include county and town schools, these figures indicate that the problem did not lie in the lack of schools, but in families' lack of finances to put towards their children's education. A 2005 article states that "To have all rural teachers in China get paid, a total of 93.1 billion yuan (US\$11.3 billion) is needed per year, or 6.2 percent of the total revenue of the central budget in 2004".<sup>70</sup> This illustrates how much money is necessary to go towards education in order to increase its success and productivity; paying teachers' salaries is just one part of the total expense of education. Yet very recently, according to the Population Reference Bureau, China spent a mere 2% of its GDP on public health and only 1.46% on education.<sup>71</sup>

Along with the single-minded pursuit of economic growth, the reign of Jiang Zemin is also well-known for a significant innovation: the invitation of private entrepreneurs and businesspeople to join the ranks of the Chinese Communist Party (it should be acknowledged that some private entrepreneurs were already Party members, but Jiang legitimised this phenomenon<sup>72</sup>). Rather than appearing as a contradiction with the fundamentals of Marxism-Leninism-Mao Zedong Thought, which traditionally prescribed the Party to be the vanguard of the proletariat, this new policy was cleverly encompassed by Jiang's own ideological addition to Chinese political doctrine, the theory of Three Represents. The Three Represents theory states that the Chinese Communist Party represents advanced productive forces, advanced culture, and the interests of the bulk of the population.<sup>73</sup> While the addition of the Three Represents to the official ideological canon was not an economic policy, it overtly indicated a fact that the people were already well aware of: the Chinese government was no longer the champion of the ordinary worker and peasant alone, but also of the wealthy tycoon. It highlights the Party's belief that these successful entrepreneurs and a large private sector are necessary for the development of the 'advanced productive forces'. Fewsmith comments on this new development: "It seems natural that a post-revolutionary political elite would try to cope with the proliferation of societal interests by seeking to incorporate them in the ideological

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<sup>69</sup> Education in rural areas, n.d.

<sup>70</sup> Agriculture: lifeblood of the nation, 2005

<sup>71</sup> Population Reference Bureau, n.d.

<sup>72</sup> Alpermann, 2006, p.33

<sup>73</sup> Jiang Zemin, as cited in Yang, 2002, p.19

system”.<sup>74</sup> In other words, the inclusion of elite businessmen into the Party was an official recognition that Chinese society had progressed from being a nation of needy workers and peasants into a more diverse – as well as polarised – society of which the talented, the privileged and the well-connected were an integral component. It demonstrates the third generation of leadership’s effort to diversify the CCP and revolutionise its image to that of a Party embracing all sectors of society.

Were there other motives for welcoming private entrepreneurs into the CCP? Part of the answer lies in the Party’s endeavours to preserve the strength of its reign. As long as it remained the vanguard of the proletariat alone, the CCP had little to offer the nouveau riche, and so it needed to find a way to integrate them in order to gain their support. According to Dong Ming, reaching out to this socio-economic class is strategic in preventing open challenges to the current political regime because it will help to resolve conflicts within the existing political system and also to adapt members’ political attitudes to official political discourses.<sup>75</sup>

Has the invitation of private entrepreneurs into the Party had an impact on inequality? Perhaps not directly, but it does serve as a reminder of the decidedly distinct socioeconomic strata in contemporary Chinese society. Yongnian Zheng, who is a professor and the Head of Research at the University of Nottingham China Policy Institute, succinctly remarks that “to accommodate the newly-rising social classes does not mean that the interests of workers and peasants can be ignored”.<sup>76</sup> The lack of focus on these latter groups during the Jiang era explains the desperate need at the change of leadership at the 16<sup>th</sup> Party Congress for a new focus on building up the rural areas. The inclusion of private entrepreneurs in the CCP may serve to widen the Party’s power base from one standpoint, but if it does not quickly act, the Party will also be in danger of losing the support of another crucial social stratum: the peasantry.

Jiang’s era did see one attempt at reducing inequality by launching the project of ‘Opening Up the West,’ or ‘Go West’, initiated by former premier Zhu Rongji around 1998 and 1999.<sup>77</sup> The National People’s Congress then made a decision in 2000 to shift the focus of China’s economic development to the more backward western regions, which was also intended to increase domestic consumption, enhance environmental protection, reduce social unrest, and mitigate the potential negative

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<sup>74</sup> Fewsmith, 2001b, p.89

<sup>75</sup> As cited in in Alpermann, 2006, p.33

<sup>76</sup> Zheng, 2007, p.12

<sup>77</sup> Lam, 2006, pp.49-50

effects of China's accession to the World Trade Organisation.<sup>78</sup> This large-scale project mainly involved funnelling money into development projects in China's ethnic autonomous regions – projects such as major highways, railways, and gas and power transmission projects.<sup>79</sup> Despite this effort to develop the western regions, however, the vast disparity between the east and west had not decreased very much by the year 2005, leaving the task to Hu's administration to continue.<sup>80</sup> Furthermore, this project was not aimed exclusively at building up rural regions, but the western cities as well. When it came to rural matters, Jiang's era, like the second part of Deng's reign, was primarily a time of negligence. Even Zhu Rongji admitted at the 2002 NPC that the biggest shortcoming of his administration was in the area of improving life for China's farmers.<sup>81</sup>

An important question to ask is how Deng and Jiang justified their general neglect of the countryside in the last decade and a half of the twentieth century. One answer is that this was done in the name of national economic development. Because of the extent to which China was lagging behind when it emerged from the Maoist era, economic growth needed to be pursued, and pursued it was, no matter what the social consequence. In order to make this appear legitimate, numerous intellectuals, when called towards the end of the 1980s to develop an ideological justification for the use of market economic principles to develop the country, resurrected Deng's 1956 thesis that "the main contradiction in Chinese society was between its "advanced socialist system" and "backward productive forces".<sup>82</sup> This also rationalised the introduction of privatised forms of ownership, as well as the favouring of the eastern urban areas over the rural inland regions under the Open Door Policy.

Another way in which Deng and Jiang legitimised their policies was in the changing definition of socialism. Meisner points out that during Deng's time, "As originally conceived, the means of modern economic development were to serve eventual socialist ends, but as time went on socialism itself was defined as economic progress, pure and simple".<sup>83</sup> China's leaders made clear that the end goal they were pursuing was not capitalism, which would entail that "production is for the sake of production" in order to benefit capitalists. Rather, under socialism they were using

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<sup>78</sup> Li, 2001, pp.80-82

<sup>79</sup> China invests 850 billion yuan in major projects in western regions, 2005

<sup>80</sup> Lam, 2006, p.50

<sup>81</sup> *Ibid*, p.25

<sup>82</sup> Meisner, 1999, pp.488-489

<sup>83</sup> *Ibid*, p.489

capitalistic measures to work toward economic development in order to meet the needs of China's people.<sup>84</sup> Despite the withdrawal from socialist principles such as egalitarianism and class struggle, the use of the words 'socialist' and 'socialism' continued to thrive in politics and economics. Meisner writes that the Fourteenth Congress of the Chinese Communist Party allowed for a dramatic increase in the use of capitalist measures for the sake of speeding up economic growth, but rather than hailing the arrival of capitalism in China along with the market economic system, the new economic scheme was labelled a 'socialist market economic system'. He muses that, "For inventing this oxymoron, Deng was extravagantly praised for making yet another "great theoretical breakthrough" in the development of "Marxism-Leninism-Mao Zedong Thought," which incongruously remained the title of official state ideology".<sup>85</sup>

### **Hu's era**

The Hu era, which is the current era at the time of writing, has marked a change in policy in order to address the problem of rural-urban inequality. While inequality was never desired during earlier generations of leadership – even though it was allowed to increase – the Hu-Wen leadership (the combined leadership of President Hu Jintao and Premier Wen Jiabao) is the first that is seriously proactive about tackling this problem. As a result, recent policy is more focused on social justice, equality, and sustainable development.<sup>86</sup> Early in the reign of Hu's government, leaders recognised the crucial need to pay attention to the countryside. China's rural issues are often referred to as the *sannong wenti*, or the 'three rural problems': *nongmin* (peasants), *nongye* (agriculture), and *nongcun* (countryside). This new era contrasts with the late Deng and Jiang eras, which turned out to be a get-rich-quick regime for a minority of the population.

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<sup>84</sup> Dirlik, 1981-1982, p.643

<sup>85</sup> Meisner, 1999, p.518

<sup>86</sup> Zheng, Wang and Tok, 2006, p.1

## A new policy direction

The new direction in policy was officially unveiled in the 11<sup>th</sup> Five-Year Plan – also called the 11<sup>th</sup> Five-Year Guidelines for National Economic and Social Development. The Plan, which spans the years 2006 to 2010, began to be drafted in 2003,<sup>87</sup> while the proposal for the Plan was adopted in October 2005.<sup>88</sup> The main catch-phrases of the 11<sup>th</sup> Five-Year Plan are the ideas of ‘Building a Harmonious Socialist Society’ and the ‘Scientific Outlook on Development’, which can be seen as all-inclusive labels for the new policy emphasizes on social needs and sustainable development rather than on the exclusive goal of rapid GDP growth. But why the desperate need for a shift in policy?

Firstly, China’s wealth is still extremely unevenly distributed. At Hu’s coming to power, the countryside continued to lag behind in terms of income – in particular the inland regions. In these regions, agriculture is still the predominant activity. For example, at the time of writing in 1996, Rozelle states that in central regions, agriculture makes up more than 50 percent of the gross rural output, while in western regions the figure is more than 65 percent. These inland areas are considerably less prosperous than the eastern coastal regions, where rural industry has expanded greatly.<sup>89</sup> Thus the smallest proportion of rural residents is earning the lion’s share of the income due to the nature of the activity that these residents are involved in. It is also difficult for farmers to earn an income comparable to that of someone residing in a city. The figures portraying the extent of inequality are staggering. Official Chinese statistics claim that in 2005, the per capita disposable household income in urban areas was 10,493 yuan, while the figure for rural areas was 3,255 yuan. While incomes are increasing in both urban and rural areas, the rate of growth in urban areas is significantly faster. The real increase from 2004 to 2005 for urban households was 9.6 per cent, while in rural areas it was only 6.2 per cent.<sup>90</sup> Based on figures from the 2006 China Statistical Yearbook, it can be seen that from 1985 to 2005, per capita net income for urban households increased 14.20 times (from 739.1 to 10,493 yuan), while for rural households the increase was only 8.19 times (from 397.6 to 3,254.9 yuan). Although the increase in rural income is encouraging, and while differences in

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<sup>87</sup> The new 11<sup>th</sup> five-year guidelines, 2005

<sup>88</sup> CPC’s proposal for new five-year guidelines issued, 2005

<sup>89</sup> Rozelle, 2006, pp.70-72

<sup>90</sup> Land resources, n.d.

living expenses between rural and urban areas should be taken into account, these figures indicate that the rural-urban gap is still widening. While some scholars believe that income inequality is an inevitable cost of economic growth and is a common phenomenon in developing countries, others believe that China has become too polarised for its current level of national development.<sup>91</sup> It is evident from the policy shift toward social justice that China's leaders are also convinced that the vast disparities can no longer be defended in the name of economic growth.

Furthermore, as mentioned earlier, rural-urban inequality is not only limited to income, but also applies to education and health care as well. The vast differences between educational opportunities in the cities and those in the countryside urgently need to be reduced. A more efficient and affordable health care programme is required for the huge numbers of rural residents, many of whom have suffered because they could not afford to see a doctor or purchase medicine.

The deficient technological level of the agricultural industry and the consequent low rate of production constitute a second reason for the backwardness of the countryside and thus the need for change. This issue affects the nation's livelihood as a whole, since food production needs to increase in proportion to China's massive population. The government has recognised the need to invest more resources in agriculture in order to lift the productivity and quality of agricultural products and so stimulate the rural economy in keeping with the rest of the country.

Not only are there shortcomings in agriculture, but labour productivity is also extremely low – a problem amplified by the millions of surplus rural labourers. Colin Carter cites Bhattacharyya and Parker's claim that agriculture's average labour productivity is not even one fifth of that of industry.<sup>92</sup> In short, being a farmer in China does not pay well, and it does not earn very much in proportion to labour inputs. This is mostly due to an increasing agricultural labour force working a constant or decreasing area of farmland,<sup>93</sup> and also because the prices for agricultural products are low.<sup>94</sup> While not all rural dwellers are involved in agriculture – on the contrary, for many, township based industry is the primary economic activity – rural income remains much lower than urban income.

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<sup>91</sup> Zhao, 2001, pp.39-40

<sup>92</sup> As cited in Fewsmith, 2001a, p.576

<sup>93</sup> Fewsmith, 2001a, p.576-577

<sup>94</sup> Zhao, 2001, p. 39

The new policy shift also incorporates an ideological aspect. As mentioned above, one of the main catchphrases of the 11<sup>th</sup> Five-Year plan is ‘Building a Harmonious Socialist Society’, which is intended to be achieved by using the approach of the ‘Scientific Outlook on Development’. This latter phrase means an increase in the quality of China’s labour, production and technological advances, rather than relying on growth through means such as cheap labour.<sup>95</sup> Zheng and Tok write that this theme of Hu’s policy package is likely to become Hu Jintao’s ideological legacy in years to come, in contrast to Jiang’s goal of building a *xiaokang shehui* by 2020.<sup>96</sup>

What is the purpose of establishing an ideological legacy? First and foremost, it is traditional to communist China. In past generations of leadership of the PRC, each paramount leader has established such a legacy. Mao Zedong Thought is still revered and studied in contemporary China. Deng was the author of ‘Deng Xiaoping Theory’. Jiang Zemin is known for his ‘Three Represents,’ a concept to which Hu continues to refer in his reports. As Joseph Fewsmith observes, “The supreme leader inevitably has put his stamp on the ideology to define a “line” that is both personal and organizational. This is how a leader in the PRC defines his leadership, and it is why the ideological portfolio is always the ultimate responsibility of the leader”.<sup>97</sup> An example of the progression of ideology can be seen in Hu’s report at the First Plenary Session of the 17<sup>th</sup> Party Congress, where he lists his concept of the ‘Scientific Outlook on Development’ along with Marxism-Leninism-Mao Zedong Thought, Deng Xiaoping Theory, and the Three Represents.<sup>98</sup> Zheng and Tok suggest that Hu Jintao is “engraving his [own] mark on the history of the history of the Chinese Communist Party” and that a potential ‘Hu Jintao Theory’ will be his “contribution to the Chinese version of Marxism”, which will include the ideas of ‘scientific development’ and ‘harmonious society’.<sup>99</sup> It seems that each leader must leave his mark, lest he fade into oblivion once his term as top leader is over, and Hu is no exception to this rule. This ideological contribution will provide legitimacy for his current position as Number One leader and will most likely help Hu gather greater

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<sup>95</sup> The new 11<sup>th</sup> five-year guidelines, 2005

<sup>96</sup> Zheng and Tok, 2006, p.8

<sup>97</sup> Fewsmith, 2001b, p.88

<sup>98</sup> Zhongguo wang shiqi da zhuanti wangzhan, n.d.

<sup>99</sup> Zheng and Tok, 2007, pp. 4 - 5

support for his second term.<sup>100</sup> In the past, leaders such as Mao and Deng had already achieved a certain amount of power, respect and personal support due to their previous revolutionary experience and their vast network of support when they attained the top post. Like Jiang, Hu has had to engineer much of his support since his accession to office. This process of gathering support began before his attainment of the Chinese leadership's top post. Even though Hu was Jiang's designated successor, the relationship between the two was "uneasy" and Hu could not count on Jiang's backing as proof of his legitimacy as Party boss.<sup>101</sup> Lam writes that Hu "assembled a formidable power network in the run-up to the Sixteenth Party Congress"; many of these were Hu's former China Youth League colleagues.<sup>102</sup> Zheng points out that the 11<sup>th</sup> five-year plan (which incorporates the idea of a New Socialist Countryside) is the first major policy initiative for the Hu Jintao-Wen Jiabao leadership, since they did not have full control over policy decisions until Jiang Zemin stepped down from his post as the Chairman of the Military Commission in 2004.<sup>103</sup> The departure of Jiang has given Hu an opportunity to consolidate political power and affirm his position as a leader by introducing such policies as Building a New Socialist Countryside and Building a Harmonious Society. Zheng and Tok maintain that Hu needs to promptly initiate these changes to the Party and to China in order to be assured of leaving a good ideological legacy, since he is expected to step down from the posts of CCP Party secretary and State President in 2012, by which time he will have served two terms.<sup>104</sup> If the changes are successful, Hu will be remembered for his efforts to develop and clean up China's countryside.

While Jiang's ideological trademark – the Three Represents theory – broadened the Party's power base by including private entrepreneurs in the Party, Hu's variety of ideology attempts to reassure China's less privileged classes that the Party is still concerned for their livelihood and opinions. This is important because for China's leaders to ignore these classes means to risk China's national stability. Lewis and Xue have identified five main social strata which pose the biggest danger to China's national stability: the peasants, urban workers, minority religious groups, demobilised soldiers, and certain intellectuals. Of these five, Lewis and Xue write that

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<sup>100</sup> Ibid

<sup>101</sup> Lam, 2006, pp.15-16

<sup>102</sup> Ibid, p.14

<sup>103</sup> Zheng, 2005, p.4

<sup>104</sup> Zheng and Tok, 2006, p.5



the peasants have so far presented the greatest threat to social stability.<sup>105</sup> The new policy shift seeks to reduce this threat.

Inequality and social stability are undoubtedly linked. The vast inequality between the countryside and the cities is no longer viable in a state founded on the principle of societal equality. Oi writes that “After a decade of transition, by the 1990s, the “trickle-down” theory underlying Deng’s policy of “let some get rich first” has come under increasing question as those who have fallen behind in the first phase of reform became anxious and those who have failed to benefit lose patience”.<sup>106</sup> Fewsmith points out that the existing “regional gaps increase the sense of social injustice that feeds much of the frustration with current economic trends”.<sup>107</sup> This indicates that stability is a key factor determining the need for tackling the inequality problem.

Indeed, Chinese people today may be more prone to questioning the current regime than ever before. It is likely that some Chinese citizens, particularly those in rural areas who have been feeling the brunt of the inequality, have become disillusioned with the long-term neglect from the government towards their situation. In the past, the uninhibited increase in inequality was brushed over with clever justifications from China’s leaders. As has been previously mentioned, Deng Xiaoping, anticipating the growth of inequality, provided a justification in advance for this phenomenon, proclaiming that “some must get rich first” when he began to introduce elements of a market economic system and open up the country to foreign investment. Today, the principal of ‘socialism with Chinese characteristics,’ essentially serves as an umbrella under which can be incorporated economic measures and political formulæ which conflict with traditional socialist tenets. But this may no longer be enough to appease the masses. Suisheng Zhao succinctly remarks on current ideology in the eyes of the people:

Marxism-Leninism-Mao Zedong Thought as the official ideology no longer provides convincing arguments of the need for the general public to preserve communist one-party rule. Nor does it explain how the socialist market economy that the Party has claimed to be building in China is different from, or superior to, the capitalism it once opposed.<sup>108</sup>

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<sup>105</sup> Lewis and Xue, 2004, pp.110-111

<sup>106</sup> Oi, 1999, p.617

<sup>107</sup> Fewsmith, 2001, p.578

<sup>108</sup> Zhao, 2004, p.67

In the past, official ideology and policy were widely propagated as a means of legitimising the Party's rule. However, this strategy is becoming less and less effective. In order to maintain legitimacy in the eyes of the people, the government must now take new measures to make a more equal society. According to Zheng, "As ideological dogma becomes less convincing, the sustainability of the CCP regime will now have to depend on an institutionalized, and thus reliable, governance structure, legitimated in one way or another".<sup>109</sup> While the policy shift of Hu's government does not essentially involve reform of the governance structure, as Zheng suggests is necessary, it does mark a change in the principles guiding policy makers, which may for the moment help the government to maintain popular support.

What does Hu's government hope to achieve by the new policy emphasis? The main strategy established under the Hu government to take care of the *sannong wenti* is a new rural development programme entitled 'Building a New Socialist Countryside.' The aim of Building a New Socialist Countryside is to level the playing field, so to speak, between the cities and the countryside, by addressing the many inequalities that exist between the countryside and the cities. Building a New Socialist Countryside is linked to Hu's ideological legacy of Building a Harmonious Socialist Society because of the two programmes' common goal of social justice and sustainable development. In this way, the new rural development programme can be seen as a label for a series of concrete goals to be implemented in order to fulfil the ideological goal of Building a Harmonious Society in rural areas.

### **Building a New Socialist Countryside**

Building a New Socialist Countryside is not the first attempt to reduce the level of inequality between the east coast and China's inland and western hinterlands. As mentioned before, around the turn of the millennium Jiang's administration initiated a strategy to develop China's western regions. This strategy had similar goals, but a different approach. The outstanding difference between these two projects is that Building a New Socialist Countryside focuses on rural issues throughout China, while the former plan aimed to develop the western regions in general, without specific focus on rural areas. The continued need for a rural development programme indicates

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<sup>109</sup> Zheng, 2006, p.4

that previous endeavours were not as successful as had been hoped, and that development is not an overnight process.

Building a New Socialist Countryside is being implemented under the premise that the conditions now exist in China for urban areas to support rural areas. That is, the recent economic boom, from which the cities have been the main beneficiaries, has created the necessary conditions for supporting rural development. Fiscal revenue and fixed asset investment all more than doubled during the 10<sup>th</sup> Five-Year Plan period (2001-2005). China's GDP in 2005 was equivalent to US \$2.25 trillion, compared to the figure of only US \$162 billion in the year 2000.<sup>110</sup> Under these conditions, China's leaders have decided that the countryside should no longer have to sustain urban development; the old pattern has been turned upside-down. It is the cities that will provide the necessary funds for the development of agriculture and for increased investment in rural infrastructure, education and health care. This is indeed a monumental change in Chinese history, for China, having been an agricultural-based economy for so many centuries, has always relied on the countryside for supporting urban life and society.

The government has mapped out some of the blueprints to give tangible evidence of its plan to invest in the countryside. Concrete goals of Building a New Socialist Countryside include increased investment in agriculture, the abolition of the agricultural tax, increased investment in rural education and health care, and the encouragement of domestic consumption in the countryside.

As mentioned before, the underdevelopment of agriculture is one of the chief reasons for the rural-urban gap. Under Building a New Socialist Countryside, the budget allocation for agriculture was reported to increase 14.2 per cent in 2006, in addition to subsidies toward grain production, high quality seed and agricultural machinery. Major grain production counties were to receive additional incentives. A key goal of developing agriculture is to improve land and labour productivity, which as mentioned above are both at considerably low levels, and desperately need addressing in order to give the countryside and economic face-lift, since, as Riskin, Zhao and Li state, "Land and labor are the two production forces shaping the rural economy".<sup>111</sup> Rather than encouraging peasants to turn away from agricultural activities because of the current low productivity of this sector, Building a New

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<sup>110</sup> Speech by Chen Xiwen, 2006

<sup>111</sup> Riskin, Zhao and Li, 2001, p.14

Socialist Countryside seeks to develop agriculture through the application of science and technology, and to increase its productivity and in turn raise farmers' incomes so that they can continue to farm. The land must become more fruitful, and more advanced techniques need to be applied to it by the labour force, which in turn must become more skilled through vocational training and education. Building a New Socialist Countryside seeks to accomplish these goals by improving agricultural techniques and by implementing more modern technology in these areas. If those involved in various development projects can help to fertilise underproductive soil, irrigate dry soil, reduce erosion, improve seed quality and provide farm equipment that can increase production in these low quality land areas, then perhaps the standard of living of these poor households can be raised.

Secondly, the agricultural tax was completely removed on 1 January 2006.<sup>112</sup> Peasants have long been under the burden of heavy taxes. A recent government statement declares that in the past farmers have had to pay 33.6 billion yuan worth of agricultural tax and more than 70 billion yuan for other fees<sup>113</sup> (this figure is presumably an annual figure). Building a New Socialist Countryside has relieved farmers from this tax burden. The new emphasis on developing the countryside has meant the abolition of agricultural tax for the first time in more than 2,600 years, a fact that the Chinese government widely publicises. Rather than deriving their revenue from taxes, local governments will receive fiscal transfers as subsidies from the central government in the New Socialist Countryside.

Thirdly, the current government is pouring more funding into rural education and health care. This is not the first post-Mao attempt to help poverty-stricken children attend school. Project Hope, a non-governmental project sponsored by the Communist Youth League and the China Youth Development Foundation, was set up in 1989 to enable rural children to return to school.<sup>114</sup> In addition, the government expenditure on compulsory education for rural areas increased by 72 per cent from 2003 to 2004; this amounted to about ten billion yuan.<sup>115</sup> However, Building a New Socialist Countryside represents a continued effort on behalf of the central government to improve the quality and accessibility of rural education. The increase in central government funds for compulsory education in the countryside is to

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<sup>112</sup> China's legislature abolishes 2,600-year-old agricultural tax, 2005

<sup>113</sup> Yang, 2006

<sup>114</sup> Project Hope, n.d.

<sup>115</sup> Education, science and technology, culture, public health and sports, n.d.

increase by 218.2 billion yuan over the five years following 2006.<sup>116</sup> Premier Wen set a goal that 85 percent of all regions in western China should have access to free education, and that the youth illiteracy rate should drop to 5 percent by 2007.<sup>117</sup>

In terms of rural health care, until recently, government expenditure in this sector had been minimal. In 2005 Health Minister Gao Qiang commented that a mere 20 percent of resources, including medical funds, were spent in China's rural areas.<sup>118</sup> In order to ameliorate this situation, a rural cooperative health care system is being implemented, in which rural residents pay a small amount per year into an individual account, while the government – actually a joint effort by central and local governments at all levels – pays a considerably larger amount into the same account. This has begun on an experimental basis,<sup>119</sup> and by the end of 2006, approximately half of the nation's rural population had joined the scheme, according to official figures.<sup>120</sup> The central government hopes that all rural residents will be covered by the system by the end of 2010. At the same time, additional investment is being contributed to the building and upgrading of health clinics in the countryside, as well as a transfer of a number of doctors from the cities to the rural areas.<sup>121</sup>

A fourth aspect of Building a New Socialist Countryside is its aim to increase domestic consumption in the countryside rather than continuing to rely on fixed interest investment for economic growth. In this way, China's leaders hope to stimulate the rural economy. A product of the Fourth Session of the 10<sup>th</sup> National People's Congress, the Report on China's Economic and Social Development Plan mentioned that the speed of growth of fixed interest investment, while slightly slower than in the previous year, was still 25.7 percent in 2005 – a figure considered too high.<sup>122</sup>

Why do China's leaders place so much importance on encouraging domestic consumption in the countryside? According to Lan Haitao, who is an expert from the Macroeconomics Research Academy under the State Development and Reform Commission, increasing domestic consumption is a feature of rural development that cannot be compromised. He believes that "The rural market is the stabilizer of China's

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<sup>116</sup> Ibid

<sup>117</sup> Lam, 2006, p.84

<sup>118</sup> As cited in Lam, 2006, p.103

<sup>119</sup> China's "New Socialist Countryside", 2006

<sup>120</sup> Cooperative Healthcare for Rural Residents, 2007

<sup>121</sup> Ibid

<sup>122</sup> Full text of the report on China's economic and social development plan, 2006

economy in the future".<sup>123</sup> Not only this, but as Li Cheng points out, “Chinese leaders ... believe that, unless consumer demand increases in various parts of China – both inland and on the coast, in both rural and urban areas – China cannot reasonably claim to be the largest consumer market in the world”.<sup>124</sup> This fact may have serious implications for China’s foreign trade.

China’s rural population numbers several hundred million – a potentially colossal domestic market. Yet even in 2005, Chen asserts, only 32.9 per cent of total retail sales in China were in rural areas. This leaves 67.1 per cent of sales in urban areas, where less than half of the population resides. According to World Bank statistics in 2006 (as reported by the BBC), the richest 10 per cent of China’s people were responsible for 33.1 per cent of consumption, whereas the poorest 10 per cent took up a mere 1.8 per cent of consumption.<sup>125</sup>

As it is, China is in need of increasing *overall* domestic consumption rather than relying heavily on fixed asset investment to fuel its economic growth. In 2005 domestic consumption made up only 33 percent of economic growth for the year, while the bulk of growth came from export trade and overseas investment.<sup>126</sup> Domestic consumption has surged in recent years, although this is a primarily urban phenomenon. In May 2007, an increase of 15.9 per cent in retail sales in China was recorded for the preceding year.<sup>127</sup> If the government is successful in increasing domestic consumption in the countryside, the whole country will benefit. It will help China’s growth to remain sustainable, and also help to reduce the imbalance in trade surpluses caused by China’s export and investment-based growth.<sup>128</sup>

One New Socialist Countryside project that is currently underway is the Project of Village Markets in Tens of Thousands, which is being promoted by China’s Ministry of Commerce. By planting 250,000 village markets in key locations, the government hopes to create a market supply chain for town and village markets to support the city markets and so reduce the gap between urban and rural consumption.<sup>129</sup> It remains to be seen, however, if these strategies for increasing consumption will be successful. Increasing farmers’ incomes and improving social

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<sup>123</sup> Building new countryside helps China to cope with challenges, 2006

<sup>124</sup> Li, 2001, p.81

<sup>125</sup> BBC News, n.d.

<sup>126</sup> Building new countryside helps China to cope with challenges, 2006

<sup>127</sup> “Stoke up consumption,” 2007

<sup>128</sup> Ibid

<sup>129</sup> Village Markets, 2006

security may be an encouragement for them to spend more, yet farmers are likely to be slow in increasing their consumption until they are convinced that their livelihood is changing for good and that they can count on sustained increases in income.

In addition to the strategies mentioned above, village and county administrative, educational and fiscal systems are undergoing reform to make rural finances more efficient.<sup>130</sup> This will help local governments be able to function without the need to charge additional fees and levies to farmers; this situation has until the present contributed not only to farmers' poor finances but also to the level of discontent in the countryside. This idea will be further developed in Chapter 3, however.

### **Will Hu's government be successful?**

How successful is Building a New Socialist Countryside likely to be in reducing rural-urban inequality? Given China's rapid economic growth over the past two to three decades, the financial conditions for initiating this rural development programme have certainly been reached. However, there are a number of potential impediments to the programme's success.

A primary concern is the reliability of local officials. Although China *is* much better off economically than in previous decades, and may be ready to pour large amounts of investment into the countryside, a vital question to consider is how effective the channelling of money and investments of other resources will be. If corrupt officials continue to hold positions of power throughout the countryside, the fiscal transfers may do little good. Thus the effectiveness of Building a New Socialist Countryside also depends on the Hu-Wen administration's ability to fight corruption in the CCP and in the government, and on its ability to improve local officials' inefficiency and reduce their resistance in implementing central government mandates. This issue will be further discussed in Chapter 3.

A second concern is that social justice is a difficult goal to reach in a time when China is still experiencing rapid economic growth, even though the current government aims at increasing the sustainability of this growth. China's GDP growth

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<sup>130</sup> Financial support for building a new socialist countryside, 2006

rate in 2005 was estimated to still be as high as 9.4 percent.<sup>131</sup> Zheng remarks that “According to the (11<sup>th</sup> Five-Year) plan, the ruling party will seek to accomplish concurrently two seemingly contradictory goals, that is, high growth and social justice”.<sup>132</sup> These two goals are not completely contradictory, since economic growth is merely a means of achieving economic development, which may help to bring about increase in economic equality. However, while the government may be able to achieve both of these ambitions, social justice will only be attained if economic growth is sustainable and if it results in economic development. The current government does recognise the difference between economic growth and economic development, and is eager to see the latter advancing in China through the implementation of the 11<sup>th</sup> Five-Year Guidelines.<sup>133</sup>

Thirdly, it must be recognised that even if Hu’s government is successful in revitalising the countryside, progress should not be expected to be achieved overnight. In a speech given in February 2006, Chen Xiwen, Deputy Director of the Office of the Central Financial Work Leading Group, stated that Building a New Socialist Countryside is both a “long term goal” and an “immediate task”.<sup>134</sup> He acknowledges, “it will take a long time in history for the socialist countryside to materialize in China.”<sup>135</sup> For example, it is an expensive and time-consuming process to invest in new technology and training for farmers in order to achieve the modernisation of agriculture. Such impediments add weight to the urgency of the task.

Another final important question to ask is whether the current government’s response to the problem of rural-urban inequality will be successful in maintaining the CCP’s legitimacy in the eyes of China’s people. This study argues that while increasing equality and improving the living conditions of China’s rural citizens is likely to increase their contentment with the current political order to a certain degree, there are a number of other reasons why this social stratum may continue to be disillusioned with the nation’s leadership. Yang writes that “The lean time has magnified the political implications of excessive government burdens on farmers and sparked numerous protests directed at local authorities.”<sup>136</sup> The key word here is *magnified*, implying that the relative neediness of China’s rural citizens is merely one

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<sup>131</sup> Wong, 2006, p.4

<sup>132</sup> Zheng, 2005, p.3

<sup>133</sup> The new 11<sup>th</sup> five-year guidelines, 2005

<sup>134</sup> Speech by Chen Xiwen, 2006

<sup>135</sup> Ibid

<sup>136</sup> Yang, 2002, p.24



reason for them to be discontent, and this reason adds to the weight of these other sources of discontent. As Yang has pointed out, one of the key reasons for peasants' discontent is their deteriorating relationship with their local leaders. This relationship cannot be repaired by merely raising the farmers' standard of living. Deeper reforms are needed in the realm of the political and administrative systems. This theme will be further developed in Chapter 3.

The peasants have been disadvantaged throughout the history of the People's Republic. During the first era of Party rule, the peasants were exploited and deprived of many benefits available to urban residents, although the Party continued to propagate the idea of egalitarianism. During the early reform era, peasants began to prosper as farming once again became a household affair, and was released from the straight-jacket of a rigidly planned economy. Following these early agrarian reforms, however, the focus of reform shifted to the urban area, to the detriment of the countryside. The ruthless pursuit of GDP growth under Deng and Jiang left the countryside lagging far behind the cities. The Party under Hu has inherited the colossal task of addressing the rural-urban gap. China's leaders acknowledge that reducing the urban-rural gap will be a long-term task. While time may bring success to Hu's policies in the endeavour to make Chinese society more equal, it remains to be seen if this will serve to ensure the preservation of Communist Party rule.

## Chapter 2

### Migration to the Cities

The previous chapter briefly traced the evolution of rural-urban inequality in China, then examined in detail the Chinese Communist Party's current attempts to deal with the problem. This chapter will adopt a similar approach in considering the issue of rural-urban migration. It will first outline the history of migration from the countryside to the cities since 1949, then it will focus on the current situation and the Party's response to it. Like Chapter 1, this chapter seeks to analyse to what extent this issue affects the sustainability of Communist Party rule in China.

#### Mao's Era

Throughout most of the Maoist era, the *hukou* system – or household registration system – restricted the travel of rural residents from the countryside to the cities, so there was a very rigid divide between rural and urban areas. Zai Liang classifies migration policy during Mao's reign into three stages: the years 1951 to 1960, when rural-urban migration was comparatively loosely controlled and fairly rapid; the period between 1961 and 1965, when rural-urban migration policies were strictly enforced; and the years 1966 to 1977, when rural-urban migration was almost unheard of, and instead urban-rural migration occurred frequently as many intellectuals and youths were sent down to the countryside to become 'rustified'.<sup>137</sup>

While Liang's categorisation is useful, I propose to adopt the more fine-grained and recent five-stage categorisation suggested by Solinger.<sup>138</sup> The first stage is the early 1950s, a time of relatively free movement. During this period, population movement was relatively unrestricted, and peasant migration to and from the cities was guaranteed as a right by the 1954 constitution.<sup>139</sup> At first the *hukou* system was more of a way of monitoring the people rather than a tool of control. Each household had a *hukou* booklet, which contained information such as the family's origin, class affiliation, personal identity, birth date, as well as the occupation of each member of

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<sup>137</sup> Liang, 2001, p.500

<sup>138</sup> Solinger, 1999, pp.38 - 42

<sup>139</sup> Chan and Zhang, 1999, pp.819 – 820

the family.<sup>140</sup> This information, however, was not used to restrict movement between the rural areas and cities, and during the First Five-Year Plan (1953 - 1957) urban industrial jobs opened up and attracted multitudes of rural workers. Thomas Bernstein writes that in 1954, close to two and a half million people were hired in cities, up to seventy percent of them peasants.<sup>141</sup>

The second stage coincides with the First Five-Year Plan, from 1953 to 1957. During this time, many peasants were recruited to cities in order to keep up with industrial production quotas while minimising labour costs. However, towards the end of the First Five-Year Plan, China's leaders began to fear that the rate of rural-urban migration would not be sustainable. Thus during this second stage of migration, the movement from the countryside to towns and cities began to be much more tightly controlled as the central government began restricting other employment of rural workers in towns and cities. The *hukou* system was used as early as the mid-1950s to control the flow of peasants flooding into urban areas. In 1956 Zhou Enlai issued an "Order to Stop Blind Rural Migration", stopping the flow of rural labour to mines, factories, construction and transportation companies, railways, and other sources of urban employment.<sup>142</sup> A "labor contract system" was born at the end of 1957 to keep the hiring of rural labourers under control.<sup>143</sup> The first *hukou* legislation was instituted in 1958.<sup>144</sup>

The third period was the Great Leap Forward from 1958 to 1960, when urban enterprises once again began "hiring wildly".<sup>145</sup> The *hukou* legislation and other directives issued to control migration were virtually ignored during this time. Urban enterprises actively recruited rural workers and the migration rate leaped up.<sup>146</sup> It would be a mistake to see this relaxation of immigration policy as a sign of a new leniency towards the peasants. Those who remained in the countryside were driven to work harder than ever before, as were those who went to the cities. Indeed, Solinger notes that the era of the Great Leap Forward "constituted the very clearest instance of the state and its local enterprises acting in unison to exploit that reserve army of

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<sup>140</sup> Zhou, 1996, p.34

<sup>141</sup> in Solinger, 1999, p.39

<sup>142</sup> Zhou, 1996, p.34

<sup>143</sup> Solinger, 1999, p.40

<sup>144</sup> Chan and Zhang, 1999, p.820

<sup>145</sup> Solinger, 1999, p.41

<sup>146</sup> in Chan and Zhang, 1999, p.820

peasants that the registration policies of the state had created”.<sup>147</sup> What is more, following that disastrous campaign, the *hukou* system was once again rigidly enforced, limiting the peasants’ means of livelihood and denying them freedom of mobility.

The fourth period constitutes the two years following the collapse of the Great Leap Forward, 1961 to 1962, when the real crackdown on migration began. Huge numbers of rural residents were sent back to the countryside after having worked in the urban industrialisation drive. Estimates of the actual number of those deported vary between scholars. John P. Emerson puts the number of those sent back to the countryside at 20 million in 1961 and 30 million in 1962.<sup>148</sup> Chan figures that around 18 million rural people who had been working in urban industry were sent back to their villages in the countryside between 1961 and 1963.<sup>149</sup> It is certain, however, that peasants were removed from towns and cities in massive numbers, and that rural-urban migration during this period was extremely restricted.

Finally, in the fifth stage, from 1962 to 1976, population movement was in general still tightly restricted, although the use of short-term peasant labour continued after the 1961 – 1963 deportation period.<sup>150</sup> Bernstein points out that the hiring of peasants would have been attractive to urban enterprises since rural workers were presumably cheaper labourers to acquire than city folk.<sup>151</sup> During one stage of the Cultural Revolution – from 1968 and onward – a number of peasants were sent to work in factories (some in urban places, some in remote regions), and millions of urban youth and Party cadres were ‘sent down’ to the countryside to ‘learn from the peasants.’ Net rural-urban migration was, as a result of this exchange, almost nil.<sup>152</sup> It is important to point out that during the early stage of the Cultural Revolution, from 1966 to mid-1968, centralised control of the nation broke down as Mao sought to mobilise the masses against the Party, and this was significantly different in terms of migration policy from the subsequent period of ‘sending down’. In light of this, Solinger’s fifth stage of migration is not entirely accurate as the period 1962 to 1976 was not a time of consistent migration policy. It is notable, however, that during the

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<sup>147</sup> Solinger, 1999, p.41

<sup>148</sup> in Solinger, 1999, p.41

<sup>149</sup> in Wu and Treiman, 2004, p.364

<sup>150</sup> Solinger, 1999, p.41

<sup>151</sup> As cited in Solinger, 1999, p.42

<sup>152</sup> Knight and Song, 1999, pp.256–257

Cultural Revolution, the urban population fell to 17 per cent of the total population – down from about 20 percent in 1960.<sup>153</sup>

It can be seen that during the Maoist era, rural-urban migration policy fluctuated between periods of tight restriction and times of loosening up. Solinger writes that “State regulation of migration in the Mao years did not take the form of a blanket prohibition. Instead, denial of access alternated with a few periods when in-migration to cities was permitted, others when it was even actively encouraged”.<sup>154</sup> Thus it should not be inferred that rural-urban migration was without exception never allowed after the First Five-Year Plan period, only that in most cases it was extremely difficult because of the strict rules relating to changing one’s residence and employment status, and because the *danwei* system in the cities barred peasants with agricultural *hukou* from accessing basic living necessities. There did exist ways and means of converting one’s *hukou* from agricultural to non-agricultural (this essentially meant to change from a rural to an urban status), although the conversion rate fell significantly over time. When the *hukou* system was first used to control population mobility in the second half of the 1950s, *hukou* conversion was relatively common – on average close to 4 percent of the population converted their *hukou* to urban status each year. However, by 1959 there were fewer and fewer conversions as the government cracked down on rural-urban migration, and by the early 1960s, government policy limited *hukou* conversion and migration so strictly that the *hukou* conversion rate fell to less than 1 percent.<sup>155</sup>

What is more, members of the peasantry who did work in cities as migrants during Mao’s time were treated as a labour reserve, and were “made to serve the ends either of the national state or of its enterprises in the localities”.<sup>156</sup> This set the foundation for the exploitation of and discrimination against peasant migrants that was to continue even throughout the reform era.

What were the state’s reasons for inhibiting peasants from moving to the cities? The majority of explanations for the use of the *hukou* system mention that it was instituted because of the need to separate agriculture from industry and countryside from city. This is because in the early days of the People’s Republic, the heavy industrial sector was favoured as it was intended to be China’s path to

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<sup>153</sup> Liang, 2001, p.500

<sup>154</sup> Solinger, 1999, p.38

<sup>155</sup> Wu and Treiman, 2004, pp.377-378

<sup>156</sup> Solinger, 1999, p.38

modernisation. The industrial labour force was thus cared for by means of an extensive social benefit system (from which the entire peasantry was excluded). Towards the mid to late 1950s, the government decided that too many 'blind flows' of migration were taking place and that the cities were suffering under the burden of excess labourers.<sup>157</sup> In order to prevent the urban industrial sector from being swamped by peasants seeking social benefits and employment, the state set up the *hukou* system, which worked together with the *danwei* system to control population mobility and distribution and to keep the agricultural and industrial labour forces separate.<sup>158</sup>

Secondly, Chan and Zhang point out that the *hukou* system was also an effective way of maintaining social and political order.<sup>159</sup> During the Maoist era, the daily lives of even the most ordinary of peasants were highly politicised, and the Party was always on the lookout for its alleged political enemies – those it considered counterrevolutionary, rightist, bourgeois, traitors, and politically backward. This was particularly true during the numerous large-scale political campaigns of the time. By keeping peasants' mobility limited, as well as by requiring peasants' participation in political small groups and other political meetings, the Party was able to monitor individuals' behaviour and speech easily.

How did the central government justify the limitation of the peasants' mobility? It voiced concern about the inability of agriculture to meet the grain output needed for the growing urban population.<sup>160</sup> It *is* true that China's overall population grew dramatically during the pre-reform Communist era: in 1949 the figure was 542 million, and by 1974 – a mere 25 years later – it had risen to 900 million.<sup>161</sup> This was an ever growing number of mouths to feed, and as China was determined to be completely self-sufficient in terms of food production, the government emphasised the critical need to have enough farmers available to work the land. It is clear, however, that surplus rural labour actually existed during Mao's time, indicating that the grain argument was no more than propaganda used to justify the *hukou* system.

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<sup>157</sup> Chan and Zhang, 1999, p.820

<sup>158</sup> Ibid, pp.820–821

<sup>159</sup> Ibid, 1999, p.821

<sup>160</sup> Liang, 2001, p.500

<sup>161</sup> Shen, 1998, p.34

According to a survey by Taylor, most studies estimate the figure for surplus labour during the era of the communes to be about 30%.<sup>162</sup>

As a result of the *hukou* system, peasants' lives were tightly controlled. Since they had to obtain special permission from the authorities to change their *hukou* residence or status, migration without official consent was virtually unheard of and the Party was able to keep a close eye on every person. At the same time as keeping track of citizens' residence, the state was also able to control peasants' mobility and so make it very difficult for non-urbanites to live in the cities.<sup>163</sup> In fact, not only did peasants need permission to migrate, but also to travel or visit friends or relatives in a different location. As a result, local Party cadres had great power over the peasants under their jurisdiction, and peasants had to maintain favour with cadres lest they be refused permission to travel or migrate.

During the greater part of the Maoist period, when peasants received their food rations from their collective or commune and did not have access to city rations, migration to the cities would have been fruitless anyway. The commune system in the countryside and the system of *danwei*, or work units, in urban areas were additional forms of social control that served to strengthen the *hukou* system. It was difficult for a peasant to survive in an urban area without being connected to a city *danwei*, since access to social services, housing and food were only available through the *danwei* and not on the open market.<sup>164</sup> Furthermore, those who did migrate were not likely to find employment in cities because employment quotas in each *danwei* were strictly controlled by the labour administration.<sup>165</sup> The *hukou* system was particularly effective because of these additional administrative systems.<sup>166</sup> This is not to say that illegal migration did not take place; there did exist a black market for peasant labour,<sup>167</sup> but the systems in place rendered the risk unattractive.<sup>168</sup>

Another effect was that the problem of surplus rural labour was worsened, despite the government's widely-publicised fear of inadequate grain production and labour shortage. If peasants had had the freedom to move to cities for employment, there would have been fewer unneeded workers in the villages. While it can also be

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<sup>162</sup> In Knight and Song, 1999, p.39

<sup>163</sup> Cheng and Selden, as cited in Solinger, 1999, p.43

<sup>164</sup> Wu and Treiman, 2004, p.364

<sup>165</sup> Walder, as cited in Wu and Treiman, 2004, p.364

<sup>166</sup> Wu and Treiman, 2004, p.364

<sup>167</sup> Solinger, 1999, p.39

<sup>168</sup> Chan and Zhang, 1999, p.830

argued that the cities might have been in danger of becoming severely overcrowded if migration had not been so tightly controlled, the central government was evidently more anxious about keeping the urban population at a minimum in order to avoid spending more on social services than it was about the problem of surplus rural labour.

Furthermore, the *hukou* system provided a sharp demarcation between the countryside and the cities. In the early 1950s when the system was used for registering residence, the goal of separating the rural population from the urban one was not obvious to China's citizens, but as time progressed, state policies began to make it explicit that the two were to be physically divided by restricted population mobility, and socially divided by means of applying different policies to the two. For example, the Criteria for the Demarcation of Urban and Rural Areas issued in November 1955 stated that "those living in the rural areas had different lifestyles and labored under economic conditions distinct from those of urban residents" and, because of this, "government work should vary as between the two kinds of areas".<sup>169</sup> This kind of official statement would have served to justify the centre's discrimination against peasants.

Another example of how the state marked this demarcation between the countryside and the cities was the *leibie* classification, one of the two types of information on a household's *hukou* (the first was one's place of residence). The *leibie* was a system of categorizing people's employment status as either 'agricultural' or 'non-agricultural', which sometimes disregarded their actual sector of employment.<sup>170</sup> Virtually all those who originated in the countryside also possessed a *hukou* with agricultural status. Non-agricultural *hukou* owners were granted access to the urban welfare system, while those with agricultural *hukou* status were excluded from these benefits, even if they were living in a city. A socioeconomic rift between the rural and urban people was thus created, irrespective of where they were living. Chan and Zhang use the term "caste" to refer to this system because of the obvious prioritizing of the urban over the rural residents.<sup>171</sup> Zhou comments that "*Urban people possessed guaranteed subsistence and employment; rural families confronted*

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<sup>169</sup> *Guowuyuan fazhiju*, as cited in Solinger, 1999, p.43

<sup>170</sup> Chan and Zhang, 1999, p.822

<sup>171</sup> *Ibid*, p. 830



*nature alone*".<sup>172</sup> This form of discrimination was accentuated by the fact that migration from urban to rural areas was not restricted in this way but permitted to take place freely.<sup>173</sup> Urban-rural migration was not actively sought after, however, because of the advantages of possessing an urban *hukou*.<sup>174</sup>

As a result of the Party's restrictive rural-urban migration policy, in 1978 the registered urban population was still a small minority of China's total population. The figure would likely have been significantly higher had not population mobility been so strictly controlled during Mao's time.

### **Deng's Era**

After Deng Xiaoping came to power in 1978, migration patterns once again began to change. This was partially a result of changes in migration policy, and partially due to the general loosening of state control over the everyday lives of the people. New migration patterns during the early reform era proved to have both advantageous and disadvantageous results.

It was not the state's intention to allow an uncontrollable movement of rural workers to flood to the cities. In the late 1970s and into the 1980s, the government policy was *jiudi xiaohua*, or 'absorb rural surplus labour locally'; this policy was followed by *li tu bu li xiang*, or 'leave the land but not the countryside', in an attempt to control rural-urban migration.<sup>175</sup> Farmers were permitted to live in small towns as long as they were not dependent on the state grain rationing system and other urban benefits. This prescription was also supposed to prevent migration to the cities, but it only served to increase the sea of migrant farmers.

The *hukou* system, although it was modified, remained in place mainly to control the growth of the largest cities, which were typically the most popular targets for migrant workers seeking employment. Rather than promote urbanisation through the rapid growth of already populous cities, Deng's government encouraged the development of small and medium-sized cities.<sup>176</sup> Migration to large cities was still strictly controlled. Throughout Deng's rule, the state cracked down on unregistered

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<sup>172</sup> Zhou, 1996, p.35; italics in original

<sup>173</sup> Chan and Zhang, 1999, p.828

<sup>174</sup> Wu and Treiman, 2004, p.365

<sup>175</sup> Zhou, 1996, p.137

<sup>176</sup> Eichen and Zhang, 1992

rural-urban migration and set further limitations in place to prevent large numbers of migrants from flooding the cities. Restrictions were made to reduce the number of rural migrants being employed in urban enterprises – sometimes such enterprises had to pay a fee per rural worker to the state labour organisation.<sup>177</sup> According to Feng Lanrui, in 1986 and 1989 the State Labour Department tried to end the non-planned hiring of rural migrants in state factories by clearing them out. The first attempt was mostly unsuccessful. During the second attempt, about 100,000 rural workers were removed from state factories.<sup>178</sup> In spite of these state restrictions, however, rural-urban migration continued. It is important to understand the reasons why farmers were suddenly more mobile and free to migrate to urban areas.

Firstly, rural-urban migration started to boom as a natural result of the economic and social evolutions that began to take place during the early reform era. Liang and Ma point out that China's economic transition allowed for more geographic mobility as the government began to have less control over the movement of the population and began to be less capable of enforcing the *hukou* system.<sup>179</sup> Chan and Zhang point out that “the real power of the *hukou* system in regulating migration did not come from just the system itself but from its integration with other social and economic control mechanisms”.<sup>180</sup> For example, whereas once rural workers depended to a considerable extent on their commune or work unit for food, this dependence declined rapidly as a result of Deng's reforms.

Secondly, the rapid growth in the rural industrial sector after 1978 took numerous peasants away from farming, and many surplus rural labourers were absorbed into township and village enterprises. Thus migration to towns and small cities became a popular trend. Although the official line was *li tu bu li xiang, jin chang bu jin cheng* (leave the land but not the countryside, enter the factory but not the city), this transfer of much of China's rural labour to non-agricultural sectors such as manufacturing, construction and transportation can be seen as a first step towards a greater freedom of movement for rural residents because they were no longer tied to agricultural work in their own village. Zhou writes that “the very development of small town rural industries increased the access of rural entrepreneurs to urban areas,

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<sup>177</sup> Zhou, 1996, p.160

<sup>178</sup> in Zhou, 1996, p.161

<sup>179</sup> Liang and Ma, 2004, p.467

<sup>180</sup> Chan and Zhang, 1999, p.829

and the great proliferation of uncontrolled markets overwhelmed the coercive restraints implied in *hukou*’.<sup>181</sup>

Thirdly, the decollectivisation of agriculture and the return to family farming created an even larger group of surplus rural labourers because of the increase in agricultural productivity.<sup>182</sup> This was a push factor for peasants to seek employment outside the agricultural sector. In addition to increased productivity, farmers were allowed to sell surplus grain on the open market – they had been prohibited from doing this during much of the Maoist era – and they were also able to enter cities and set up their own small businesses.<sup>183</sup> As a result of this, many rural entrepreneurs became the first beneficiaries of the early reform era,<sup>184</sup> and some of them were successful to the extent that during these early years urban workers were jealous of the vast quantities of money that farmers were making.<sup>185</sup>

Fourthly, China’s rapid economic growth during the 1980s and 1990s meant the opening up of numerous jobs in cities that rural migrant workers could engage in. One specific example of this was how Deng Xiaoping’s famous ‘Southern Tour’ of 1992 was partly responsible for the increased flow of rural workers to the cities because of the tremendous growth in the construction industry that followed the Tour.<sup>186</sup> The type of urban employment available to migrants varied according to region. For example, in Beijing the majority of rural migrant workers were involved in catering, construction and services, while in the Pearl River Delta the jobs available for migrants were primarily in the manufacturing industry.<sup>187</sup> Peasants were popular employees in these sectors because they could be paid cheaply, and also because urban residents were sometimes unwilling to undertake these kinds of jobs.<sup>188</sup>

The dramatic improvement of transportation and communication in reform China also served to facilitate migration from the countryside to the cities. David Zweig points out that marketing and transportation were commercialised in the mid-1980s, and this freed farmers to move to the cities in large numbers, seeking jobs, markets and a more desirable place to live.<sup>189</sup>

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<sup>181</sup> Zhou, 1996, p.138; italics in original

<sup>182</sup> Li in Liang, 2001, p.501

<sup>183</sup> Wu and Xie, as cited in Wu and Treiman, 2004, pp.364-365

<sup>184</sup> Zhou, 1996, p.157

<sup>185</sup> Ibid, p.155

<sup>186</sup> Becker, 2000, p.101

<sup>187</sup> China’s floating citizens, 2005

<sup>188</sup> Wu and Treiman, 2004, p.365

<sup>189</sup> Zweig, 1997, p.19

The vast difference between rural and urban income was a prominent pull factor in rural-urban migration, since moving to the cities for employment helped some households to considerably raise their standard of living. However, there were also a number of problems associated with rural-urban migration during Deng's time. For example, one serious problem that emerged as a result of the conflicting freedom of migration and the rigidity of the *hukou* system was corruption among government cadres. Urban *hukou* could be purchased from city governments at exorbitant prices – the going rate for a Shenzhen *hukou* in the early 1990s was 40,000 to 60,000 yuan. Local government cadres controlled this conversion of *hukou*, which brought profit to their government and to them personally.<sup>190</sup> This was but one form of corruption that emerged during the reform era. The behaviour of government officials, in particular rural officials, will be examined in more depth in the following chapter.

Another major problem that emerged was that while many rural workers were able to move outside their village and find jobs in towns and cities, most of them were unable to change their *hukou* status from agricultural to non-agricultural. Consequently, many agricultural *hukou* holders lived in the cities for years while they were still not considered bona-fide urban residents, leading the government to introduce other methods of migration control such as the issuing of temporary residence certificates and citizen identity cards.<sup>191</sup> In short, temporary migration became much easier for peasants, but permanent migration, involving a change in *hukou* status, remained difficult during this time and is still difficult.

There were ways and means of converting one's *hukou* status from agricultural to non-agricultural. The most effective methods of obtaining an urban or non-agricultural *hukou* were through higher education, by attaining CCP membership or by joining the People's Liberation Army, or on rare occasions through urban connections or by being in an advantageous position in the countryside. Furthermore, men were more likely to change their *hukou* status than women.<sup>192</sup> A small number of peasants were able to convert their *hukou* without even changing their place of residence, probably because their villages were absorbed by a city or town.<sup>193</sup> According to Wang, non-agricultural *hukou* were on occasion offered for sale, making it possible for migrants to become official urbanites who might not otherwise have

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<sup>190</sup> Zhou, 1996, pp.140-142

<sup>191</sup> Chan and Zhang, 1999, pp.832-833

<sup>192</sup> Wu and Treiman, 2004, pp.365-366

<sup>193</sup> Ibid, p.367

been able to obtain the necessary documentation – although this applied mostly to small towns and not large cities. If non-agricultural *hukou* were available in large cities, the price was extremely steep, such as was the situation in Shanghai<sup>194</sup> and in Shenzhen, as mentioned earlier. As a result the sale of non-agricultural *hukou* was not always an attractive offer to migrants, many of whom could not afford the hefty cost. It is important to recognise that those who managed to convert their *hukou* status were in the minority, and that most migrants in the reform era remained temporary, informal migrants, living without the benefits of a non-agricultural *hukou*. The majority of peasants never met the requirements and were therefore stuck as ‘floaters’, or temporary migrants. The frequently used term for these workers is *nongmingong*, meaning ‘peasant workers.’

Thus during Deng’s era there remained a contradiction between the increased ease of mobility between the countryside and the cities, and the perpetual reality of the *hukou* policy. This contradiction entailed that people from a peasant background were free to live in cities, but were excluded from enjoying the benefits of official urban residency. While this served to undercut the socioeconomic segregation between the countryside and the urban areas, it also created a new underclass of rural migrant workers in the cities. It is ironic that the government showed the rural migrants such neglect in the light of the economic boom of the 1980s and 1990s that these migrant workers contributed to. This neglect highlights the central government’s pursuit of rapid economic growth without regard to its social consequences – consequences for which it would later pay.

### **Jiang’s Era**

Migration under Jiang followed a similar path to that during Deng’s time. The *nongmingong* continued to comprise a massive pool of floating workers. The *hukou* system remained in place, still cutting off many unofficial migrants from social services in the cities, since the government did not take the necessary steps to guarantee informal migrants the same benefits as official urban residents. Looking back in 2004, Wu and Treiman observed that, “In the reform era, the *hukou* system

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<sup>194</sup> in Wang and Zuo, 1999, p.279

has remained largely in force and still greatly shapes socioeconomic status and life chances”.<sup>195</sup>

The pursuit of a higher income continued to be a strong pull factor for migration during this time. Seeking income and employment in urban areas was one of three main avenues by which a peasant household could hope to increase its income; the other two methods were by increasing farm production and by engaging in non-agricultural activities in rural areas.<sup>196</sup> As mentioned in Chapter 1, agriculture in the Jiang era was not a desirable activity in China – with the exception of farmers who lived close to large urban centres and profited greatly by selling fresh produce at market prices – for reasons such as the low prices paid for products, the high cost of farm equipment and agricultural supplies, and the various taxes which so burdened farmers over the years. Moving to the cities was indeed an attractive option for peasants in search of more lucrative employment opportunities, as the urban-rural per capita disposable income ratio grew to be as much as 2.82 to 1.<sup>197</sup> Furthermore, average income in the east was significantly higher than that in China’s western region, making the coastal cities particularly attractive choices for rural migrants. By migrating from the western region to the east, one’s income could increase by 40 per cent.<sup>198</sup> According to a 1995 survey by Wang and Zuo, rural migrants moving to Shanghai could on average earn double their previous income.<sup>199</sup> Liang and Ma’s research indicates that the most popular urban destinations for *nongmingong* were the booming metropolises of Beijing, Shanghai and Guangzhou, although there was a floating population in every province in China.<sup>200</sup> According to the 2000 census, 27 percent of the total population of Shanghai were floating workers.<sup>201</sup> Gustafsson and Li point out that at the time of their research in 2001, approximately one quarter of the urban population – that is, between 50 and 80 million – had no urban *hukou*<sup>202</sup> and were thus officially still registered as ‘agricultural.’ Yet however attractive urban work might have been for rural migrants, the truth is that the employment opportunities were very different from those pursued by city-dwellers who were not

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<sup>195</sup> Wu and Treiman, 2004, p.365

<sup>196</sup> Knight and Song, 1999, p.263

<sup>197</sup> Gustafsson and Li, 2001, p.58

<sup>198</sup> Ibid, p.62

<sup>199</sup> Wang and Zuo, 1999, p.276

<sup>200</sup> Liang and Ma, 2004, p.471

<sup>201</sup> in Liang and Ma, 2004, p.473

<sup>202</sup> Gustafsson and Li, 2001, p.46

migrants. In big cities such as Shanghai there were essentially two labour markets: one for urbanites including professionals, technical staff, leaders of government organisations and office clerical staff; the other for the unskilled rural labourers. These latter jobs often had longer hours, poor working conditions, lower pay and no benefits such as child care, subsidised housing and transportation.<sup>203</sup> In addition to these disparities in working and living conditions, a huge number of rural migrants lived segregated from urban residents in temporary housing, such as in their workshops, in dormitories, or in shelters at the work site.<sup>204</sup> This shows how inequality existed not just between the countryside and the city, but also within the city itself. Wang and Zuo write, “The old divisions that separated rural and urban China geographically in the past are now replaced by barriers that segregate them economically and socially within cities”.<sup>205</sup> This was surely not the kind of urbanisation that China’s leaders considered desirable.

Jiang’s era also saw a significant amount of social unrest and increasing tension among rural migrants. Friedman writes: “there is a basis for the fears of privileged urban conservatives, some truth that these mobile farmers in the city, denied any government benefits, harassed by the police, and looked down upon by urban folk, are angry and could yet be a force for further change”.<sup>206</sup> Aside from the discriminatory effects of the *hukou* system, one evident problem associated with the unrest is the fact that a number of migrant workers experienced delays in payment and even the lack of payment, particularly in the construction industry. This served as a major source of dissent in the cities. The threat that migrants’ discontent poses to the nation’s stability will be examined further on in this chapter.

Additionally, there was the concern of job security. Unlike urban workers laid off from collapsing state-owned enterprises, *nongmingong* had no access to pensions and benefits if they were made redundant, even though the state pensions were often mediocre.<sup>207</sup> What is more, even acquiring an urban *hukou* did not solve all of the migrants’ problems; those who obtained one were sometimes still barred from a number of urban benefits.<sup>208</sup>

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<sup>203</sup> Ibid, p.277

<sup>204</sup> Ibid

<sup>205</sup> Ibid, p.279

<sup>206</sup> in Zhou, 1996, p. xiv

<sup>207</sup> Yang, 2002, p.24

<sup>208</sup> Wang and Zuo, 1999, p.279

Another concern of Jiang's time was that rural-urban migration exacerbated the problem of urban unemployment. Because of China's massive population momentum, approximately 13 million people were entering the job market each year.<sup>209</sup> In terms of net rural unemployment, some officials believe that the figure was increasing by 9 million per year,<sup>210</sup> and many of these rural unemployed sought employment in the cities. Another issue that added to the unemployment problem was the mid-1990s dismissal of many workers from state-owned enterprises (SOEs) when the vast majority of these enterprises were privatised and many were shut down, leaving 20 million jobless, even though 17 million people were absorbed into the private sector from 1996 to 1998. Indeed, the laid-off workers were not the only unemployed living in the cities at the time – there were also many redundancies from urban collectives.<sup>211</sup> Eyferth, Ho and Vermeer believe that rural-urban migration, like rural non-agricultural industry, does not completely solve the problem of surplus rural labour. They write:

Migration ... is also unlikely to provide much new employment in the coming years. The rapid rise in urban unemployment caused by the restructuring of the state-owned sector, puts pressure on urban governments to reserve remaining jobs for the urban underemployed. So there is a continuous need to secure gainful employment in agriculture.<sup>212</sup>

Because of urban unemployment problems, some city governments issued specific regulations that prevented rural migrants from working in certain jobs. For example, in one Beijing district, rural migrants were barred from taking employment in not less than 35 job types because of regulations made by the Labour Bureau, and in those jobs where migrants *were* allowed, employers had to pay a per capita fee for each migrant they employed.<sup>213</sup>

Apart from the massive population, there are a number of other possible reasons for the problem of surplus rural labour in China in Jiang's time. For example, it has been suggested that the labour to land ration worsened due to increasing population and decreasing land quality.<sup>214</sup> A consistently decreasing amount of arable

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<sup>209</sup> Becker, 2000, p.80

<sup>210</sup> Ibid

<sup>211</sup> Fewsmith, 2001a, pp.582-583

<sup>212</sup> Eyferth, Ho and Vermeer, 2004, p.6

<sup>213</sup> Wang and Zuo, 1999, p.279

<sup>214</sup> Li, 1996, p.1125



land per capita would require fewer and fewer agricultural workers, releasing yet more into other sectors in urban locations.

The inefficiency of agriculture also contributed to the problem of surplus rural labour. During the revolutionary era, collective farming employed far more people than was necessary, and the return to family farming in the early reform era meant that some family members could seek employment in non-agricultural sectors while only those members absolutely essential to working the land would engage in farm work. As time passed, farming also became increasingly mechanised – at least in more developed regions – creating more surplus rural labourers ready for employment in other domains. In many parts of rural China, however, the productivity of agriculture has not increased significantly since the early days of the agricultural reforms due to lack of technology and low levels of investment in agriculture. The important point to grasp here is that during Jiang's era, agriculture was not employing more, but fewer workers. To demonstrate to what extent employment in primary industry has dropped in the past two and a half decades, among economically active people, the percentage of those engaged in primary industry in 1978 was 70.5 percent; by 1990 the figure was down to 60.1 percent; in 2000 it was a mere 50 percent and by 2005 it had dropped to 44.8 percent.<sup>215</sup> As employment in primary industry dropped, the percentage of those involved in secondary and tertiary activities rose from 17.3 per cent and 12.2 per cent respectively in 1978 to 21.4 per cent and 18.5 per cent in 1990, then to 23.8 per cent and 31.4 per cent by 2005. This indicates that in the initial stages of the reform era, it was secondary industry that began to attract the greater portion of ex-agricultural workers, but in recent years employment in the tertiary sector has begun to take precedence over secondary industry. Indeed, the growth of tertiary industries in China's cities had a significant impact on rural-urban migration. As China's city dwellers have increasingly sought jobs in the service sector, they have left large gaps in secondary industries, which have attracted rural workers.<sup>216</sup> The growing number of joint-venture and private enterprises has also created employment opportunities for rural workers.<sup>217</sup>

Not only did the employment structure change in the Jiang era, but the decline of township and village enterprises also contributed to the problem of surplus rural

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<sup>215</sup> China Statistical Yearbook 2006

<sup>216</sup> Hukou – obstacle to market economy, 2007

<sup>217</sup> Liang, 2001, p.501

labour. TVEs had absorbed a large number of workers during their heyday – Becker writes that when rural enterprises were in their prime, they were absorbing 12 million additional workers per year<sup>218</sup> – but in Jiang’s era these enterprises failed to provide enough jobs for rural workers seeking employment outside the agricultural sector. On top of this, while the development of TVEs did much to alleviate the problem of unemployment in the eastern region, the huge remaining pool of surplus rural labourers in the inland regions remained a challenge.<sup>219</sup> Li believes that “there is every reason to expect the issues related to surplus rural laborers and internal migration to become even more acute, especially as China’s urban unemployment rate continues to increase”.<sup>220</sup>

A major event during Jiang’s reign was China’s accession to the WTO. This may also have significant implications for the employment situation in China.<sup>221</sup> For example, Solinger writes that entry to the WTO means that higher quality labour is demanded in China. This will automatically disqualify many from their jobs and in their place machinery will take over, and younger, more educated employees will be preferred for employment over those workers with few skills. The increased efficiency demanded will mean the laying off of many workers.<sup>222</sup> Granted, Solinger is referring to the laying off of urban, not rural, workers. However, it can be argued that greater unemployment among urban workers may also bring about fewer employment opportunities for rural migrant workers. Burns suggests that urban unemployment in China may already be as high as twenty percent, even though official figures state it to be only three percent at the time of writing in 1999.<sup>223</sup> If there are not enough jobs even for urban residents, what will become of those rural migrants who seek employment in the cities? Will this not lead to innumerable social tensions?

On the other hand, some scholars argue that surplus rural labour has its advantages and are more optimistic about the outcome of the employment situation. For instance, Li reveals that some experts are of the opinion that “surplus rural laborers provide great human resources for the country to reconstruct the economy,

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<sup>218</sup> Becker, 2000, pp.79-80

<sup>219</sup> Fewsmith, 2001a, p.578

<sup>220</sup> Li, 1996, p.1132

<sup>221</sup> Fewsmith, 2001a

<sup>222</sup> Solinger, 2003, pp.62-63

<sup>223</sup> Burns, 1999, p.584

accelerate urbanization, and further rapid economic growth”.<sup>224</sup> The positive effect of surplus labourers in the urbanisation process, however, will depend on how China’s leaders undertake the task of reforming the nation’s migration policy.

What policy initiatives were made under Jiang’s government to address the problems associated with internal migration? Some positive steps were made. For example, the government took steps to foster urbanisation, recognising that it was a critical process in the nation’s modernisation. The 10<sup>th</sup> 5-year plan (covering 2001 to 2005) called for the development of super-large and large cities as well as enlarging medium-sized cities. In addition to this, the Planning Commission aimed to have half of China’s population classified as urban by the year 2015.<sup>225</sup> This figure is well on its way to being met. In 2005 the figure reached 42.99 percent; this can be contrasted to the mere 26.41 percent in 1990.<sup>226</sup>

It is important to note here, however, that some scholars believe China’s official statistics regarding urbanisation to be unreliable because of the ambiguity surrounding the definition of the urban population. According to Zhang and Zhao, there are four main factors that may influence the size of the urban population. These factors – which have been changed multiple times – include the criteria for defining a settlement as urban, the physical and administrative boundaries of so-called urban centres, the *hukou* system, and the status of floating *nongmingong*.<sup>227</sup> These factors provoke confusing questions such as, “Are only those with urban *hukou* considered part of the urban population?” “What about ‘floaters’ who have been living in a city for a number of years without attaining official urban residency?” It is thus difficult to determine exactly how large China’s urban population really is and at what rate urbanisation is taking place.

At the end of his rule, at the 16<sup>th</sup> Party Congress, Jiang’s outgoing report included the direction to speed up urbanisation and to remove “all the institutional and policy barriers to urbanization”.<sup>228</sup> This may seem to indicate a turning point for the destiny of rural migrants. But Solinger comments, “And yet, even here, there is the accustomed emphasis on containing such movement by keeping it “rational and

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<sup>224</sup> Li, 1996, p.1123

<sup>225</sup> Becker, 2000, pp.107-108

<sup>226</sup> China Statistical Yearbook 2006

<sup>227</sup> Zhang and Zhao, 1998, p.330

<sup>228</sup> Solinger, 2004, p.137

orderly ... [and] guided”<sup>229</sup>. This indicates that despite his charge to pursue urbanisation, Jiang’s main goals were still stability and control.

Because the control of population mobility and the pursuit of social stability remained primary focuses of Jiang’s generation of leaders, the lot of migrants did not differ much between Deng’s and Jiang’s era. Looking back on the whole reform era in 2004, Wu and Treiman wrote, “Despite the increasing tolerance of informal rural-to-urban migrants in the reform era ... the state has in no way relaxed its stringent requirements for obtaining formal urban *hukou* status and has, if anything, tightened them”<sup>230</sup>. Not only has this served to emphasise the social stratification in China, but it has also brought about resentment by many migrants towards those who deny them equal living and working conditions.

### **Hu’s Era**

Hu Jintao’s government has set itself the task of ‘cleaning up’ all of China’s socioeconomic woes – in particular those that relate to the countryside. The internal migration process is one woe that desperately needs addressing. In order to understand the issues associated with rural-urban migration in Hu’s era, it is important to identify the remaining problems, discuss the solutions the new government has initiated, and speculate about the future of China’s urbanisation.

### **Remaining problems**

One of the main problems inherited by Hu’s government is that of lack of payment or delays in payment to migrant workers. One of the chief industries in which this problem occurs is construction, since the systems for the protection of workers’ rights have not been in place. A second significant challenge to Hu’s generation of leadership is tackling the inequalities between bona fide urban residents and temporary migrants living in the cities. Inequalities still exist in areas such as education opportunities, housing access and living conditions, accident-related insurance, and access to and quality of health care. Thirdly, China’s leadership needs to take advantage of its surplus labour while at the same time being prepared for

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<sup>229</sup> Ibid, pp.137-138

<sup>230</sup> Wu and Treiman, 2004, p.380

potential labour shortages in the future. Whether or not China is approaching an imminent labour shortage, the World Bank report referred to earlier asserts that it is important to be aware of the changing labour market due to economic and social change. It states, “Irrespective of the exact amount of surplus labor now, however[,] it is clear that continued rapid development and urban growth will eventually lead to the end of surplus labour and a tighter labour market, even for migrants”.<sup>231</sup> In light of this and the above speculations, it will be necessary for Hu’s generation of leadership to make the most of the existing labour surplus, on one hand creating more channels for employment to reduce current unemployment, while on the other hand being prepared for the possibility of a shrinking pool of surplus labourers.

A further issue is the question of the manner in which urbanisation should be pursued. Hu’s government has inherited the colossal task of enabling urbanisation to take place in a sustainable, peaceful manner. This is important because urbanisation is an almost universal feature of the modern pattern of development. James Wen, associate professor of economics at Trinity College, Hartford, believes that “urbanization is the source of progress, a symbol of civilization, and a sign of modernization”.<sup>232</sup>

### **A threat to the regime?**

Before discussing the current government’s response to the problems described above, it is important to ask whether the problems associated with rural-urban migration pose a threat to the CCP’s continued rule. Earlier on in the reform era, the government recognised the threat of social instability that migration trends have brought about. Li writes that “It seems neither possible nor desirable for Chinese authorities to keep millions of surplus rural labourers on farmland, but rapid and large-scale internal migration is seen as politically dangerous to the regime”.<sup>233</sup> What are the various threats perceived?

Firstly, one danger that the state possibly associates with the large number of rural migrants is the historical pattern of landless migrant farmers causing chaos and

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<sup>231</sup> WBCQU, September 2007, p.21

<sup>232</sup> Towards true urbanization, 2005

<sup>233</sup> Li, 1996, p.1123

overthrowing the ruling dynasty.<sup>234</sup> As a result of the state's wariness of rural migrants, many have been sent back to the countryside during various 'clean-up' campaigns.<sup>235</sup> It should be noted that some rural migrants have been able to obtain a *lanka*, or blue card, which provides legal urban residence without the benefits of an urban *hukou*. Legal residents with a *lanka* do not have to be sent back to the villages during such campaigns.<sup>236</sup>

Another reason why rural migrants may pose a threat to the country's stability is their sheer numbers. Even if these workers live long-term in the city, they are not considered bona fide urban residents because their *hukou* status remains agricultural. It is difficult to determine the exact number of surplus workers, although official estimates make the number of floating workers out to be 200 million.<sup>237</sup> On one hand, rural-urban migration is a normal phenomenon, and China's leaders should encourage rather than prevent it. Wu and Treiman explain that "Massive and uncontrolled migration from the countryside into urban areas typically accompanies economic development in developing nations".<sup>238</sup> However, it is not just urban overpopulation that China's leaders fear. Kerry Brown writes that the government is also wary of groups of migrant workers in the metropolises uniting together, "creating ghetto spaces where the viral infection of their discontent could pass more easily, and become a literal pandemic of discontent leading to a political programme demanding change and the removal of the one-Party state".<sup>239</sup> He Xin, a Communist theorist, once wrote, "Once they [rural migrants] get organizations with an educated leadership and a political program, the floating rural population could be molded into a political force, a mobile, armed, and formidable antisocial coalition".<sup>240</sup> If China's floating migrants were to rise up against the state, their colossal number would certainly not be easy to suppress. As long as migrant discontent remains on a small scale, it does not pose a significant threat, but if action becomes collective, organised, and large-scale, it could cause instability and seriously undermine the legitimacy of the Party.

A third reason why China's rural migrants may pose a threat to the central government is because of their continued treatment as an underclass. While the *hukou*

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<sup>234</sup> Wang in Li, 1996, p.1123

<sup>235</sup> Li, 1996, p.1123

<sup>236</sup> Zhou, 1996, p.169

<sup>237</sup> Li, 1996, p.1129; Meeting the needs of migrant workers, 2008

<sup>238</sup> Wu and Treiman, 2004, p.363

<sup>239</sup> Brown, 2007, p.163

<sup>240</sup> in Zhou, 1996, p.162

system may have been somewhat successful in controlling excessive rural-urban migration during times when the cities could not support so many migrants, it has also served to widen the social gap between rural people and urban citizens in the cities. Of this new era of rural-urban migration, Solinger writes:

Finally the state had found a very cheap way to make massive use of the labor reserve that peasants had long been made to constitute, keeping them subjects – and urban noncitizens – as it did so. They fostered economic growth even as, left to fend for themselves, they freed the state from its charge of provisioning all of the city's residents.<sup>241</sup>

The migrants' living conditions are typically well below the level of urban residents; they have low wages and are not entitled to quality housing. Not only is this true, but the children of migrants have often been denied access to education in city schools, or they are charged exorbitant fees which they cannot afford. Some city labour offices have continued the Jiang-era policies of restricting the number of rural workers and taxing their employers. Some bureaux have also set aside certain jobs for urban *hukou* holders only, making it extremely difficult for some migrants to find work in cities.<sup>242</sup> Many of those migrants who do find jobs often experience delays in payment, and are sometimes not even paid at all. In short, the *hukou* system has continued to be used to exploit China's officially designated rural population. This may fuel discontent and displays of unrest amongst the migrant population. If the *hukou* system were to allow rural migrants equal socioeconomic benefits to those of official urban residents, the danger of instability might be less of a threat.

Fourthly, China's rural migrants are also well aware of the problem of rural-urban inequality because of their freedom of mobility. The previous chapter discussed the possibility of a threat to China's stability through peasants' discontent due to their low income and the comparatively underdeveloped situation of the countryside compared with the rapidly developing cities. As Dittmer points out, the great inequalities between the cities and the countryside might not pose such a threat to China's political stability if rural people did not have such freedom of mobility. The great contrast between the lives of urban residents and those of rural dwellers is very

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<sup>241</sup> Solinger, 1999, p.48

<sup>242</sup> Knight and Song, 1999, p.260

visible to them and may have created a bitter sense of resentment among those who have migrated.<sup>243</sup>

The *hukou* system has certainly not served to maintain the legitimacy of the current regime in the eyes of those who are the losers in the system. China's leaders are well aware of the potential threat from this social stratum, and are taking measures not only to reduce this threat, but also to balance the critical process of urbanisation in order to promote the all-round modernisation of the nation. The fourth generation of leadership's attitude towards these issues is summed up in its famous slogan 'Building a Harmonious Socialist Society.' In order to meet this ideological goal, Hu's government is aiming to create stability, harmony and peace, while at the same time promoting an advanced, developed, high-tech society. To satisfy these goals in the sphere of migration, the current government is taking concrete measures to address the problem of social inequality and unrest in the cities, as well as to develop the countryside so that peasants will have a motive for remaining in their rural place of origin. These measures are described below.

### **Current government responses**

Firstly, the government under Hu is beginning to show that it is serious about upholding the rights of rural migrants, and aims to make life in the cities easier for this group. A number of cities are making efforts to provide social services such as education, medical care, and improved access to housing for *nongmingong* and their families. For example, in 2002 Shanghai began an insurance plan for migrant workers, which contributes to their health insurance, work-related accidents, and pensions.<sup>244</sup> In Beijing, the labour and social security bureau has set up a hotline to answer migrants' questions regarding government policy and workers' rights.<sup>245</sup> While such measures are being made to improve the quality of life for rural migrants, in the meantime, talks are being held and progress is being made toward the possible reform of the *hukou* system. For example, the National Development and Reform Commission (NDRC), a government-sponsored organisation, suggested the neutralisation of the *hukou* system to prevent rural migrants from being barred from

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<sup>243</sup> Dittmer, 2004, p.29

<sup>244</sup> Meeting the needs of migrant workers, 2008

<sup>245</sup> Meeting the needs of migrant workers, 2008



benefits that until now only urban residents have enjoyed. That is, there would still be a registration system in place, but it would not exclude migrants from social benefits and services in the urban area in which they register. The NDRC Deputy Secretary General, Ma Liqiang, believes that by 2020 farmers living in cities should enjoy the same opportunities and privileges as urban residents.<sup>246</sup>

In addition to the idea of reforming the *hukou* system, some scholars inside China have even suggested the possibility of its complete removal. Duan Chengrong, director of the Research Center for Population and Development at Renmin University believes that the current system is no longer viable because of the huge increase in migration rates in reform China. He asserts that “Hukou reforms ... could allow China to channel labor to where it is most needed, rather than to areas most popular among the labor pool.” In light of this, the government needs to take advantage of the surplus labour while empowering China’s workforce to be skilful and productive. However, if *hukou* reform is to be carried out, it needs to be done carefully. If a change in migration policy via removal of the *hukou* system is not accompanied by the appropriate social programmes, Duan states that “the only kind of freedom that official red seal will provide for is the freedom to create urban slums” – an outcome that the government must avoid at all costs. Trial reforms are currently taking place in some provinces,<sup>247</sup> which is evidence of the government’s commitment to take tangible steps toward improving the rural migrants’ lot, while simultaneously strengthening its own validity. However, if this talk of *hukou* reform proves to be empty rhetoric, the social problems associated with China’s internal migration system will continue to worsen and possibly threaten the nation’s stability. On the other hand, if the government is successful in upholding migrants’ rights, this will help to neutralise the threat of instability.

Secondly, the issue of lack of payments or delayed payments for migrant workers that plagued Jiang’s era may be solved under a new law of protection for the payment of migrant workers.<sup>248</sup> Another recent example of the government’s effort to ensure migrant workers’ payment is the recovery of a large number of missed payments – about 43.32 billion yuan in total – by all levels of government between

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<sup>246</sup> Hukou should be scrapped: experts, 2008

<sup>247</sup> Hukou – obstacle to market economy, 2007

<sup>248</sup> Law to guarantee payment of migrant workers, 2005

2003 and 2007.<sup>249</sup> In his work report at the 10<sup>th</sup> National People's Congress, Premier Wen Jiabao proudly stated that a total of 183.4 billion yuan had been repaid to construction companies to whom the money was owed due to payment defaults; this repayment constituted 98.6 percent of the debt. This enabled migrant construction workers to receive wages that had been long owed to them.<sup>250</sup> Some of the metropolises, which have attracted large numbers of *nongmingong*, are cracking down on employers who delay workers' payments. For example, the Beijing bureau of labour and social security is requiring employers to submit salary payment documents as evidence that workers' wages are not overdue.<sup>251</sup>

In order to tackle the issue of labour rights, the government has also recently instituted a new labour contract law. The law, which was passed on June 29, 2007, and put in place on January 1, 2008, will improve workers' rights by setting minimum wages, including severance pay, limiting overtime, and offer open-ended work contracts for employees who have completed two fixed terms.<sup>252</sup> If employees have worked for a company for more than ten consecutive years, their employer will be required to sign no-fixed-term employment contracts with these employees.<sup>253</sup> The law will place pressure on businesses to set high standards in terms of job security and workplace safety. Companies are required to provide written contracts for all full-time employees.<sup>254</sup> However, some believe that although labour conditions will improve under the new law, some businesses may continue to take advantage of cheap labour while bribing corrupt officials to turn a blind eye.<sup>255</sup>

A third means to manage the migration problem is the encouragement of migration to small towns and cities rather than just to the metropolises such as Beijing, Shanghai, and Guangzhou. This type of migration is an effective way to encourage urbanisation – seen by many Chinese elites as an important part of reducing rural-urban inequality – without overcrowding the large cities. Zhou Qingxing, professor of sociology at Chongqing University, believes that “the increase of the urbanization level can help narrow the rich-poor gap and gain coordination of

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<sup>249</sup> Chinese governments recover 43.32 bln yuan for migrant workers' unpaid wages, 2007

<sup>250</sup> Report on the work of the government, 2007

<sup>251</sup> Meeting the needs of migrant workers, 2008

<sup>252</sup> China introduces new labor law that includes severance pay, 2008

<sup>253</sup> China's top legislature defends new labor contract law, 2007

<sup>254</sup> Red flag; businesses in China seem not to have noticed that they face tough new rules, 2007

<sup>255</sup> *ibid*

urban and rural development”.<sup>256</sup> In other words, the process of urbanisation can help to strengthen the bridge between the rural and urban economies, so that they can be mutually beneficial. On top of this, allowing more rural-born people to find urban employment with reasonable wages can improve their household’s standard of living. Conversely, if the problem of inequality between the countryside and the cities is addressed, it may help to keep migration at a sustainable rate. That is, if rural incomes and incomes in small towns and cities are comparable to those in big cities, then there will be less motivation to migrate to the large urban centres.

Fourthly, the current government seeks to capitalise on the current labour market. According to the World Bank Quarterly Update in September 2007, phasing out the *hukou* system and providing social services to rural migrants and their families would help guarantee the availability of surplus labour to urban areas. Another important task – which the current government has already begun to tackle – is the implementation of vocational skills training for migrants, particularly for those who are too old to go through formal education programmes.<sup>257</sup> Cities such as Beijing are offering professional training for migrants; this is a joint effort by the government and local employers. In this way, they are able to keep up their skills so as to maximise their employment potential.<sup>258</sup> Along with vocational training, the government is seeking to create links between labour demand and supply, so that rural migrants will no longer follow the trend of job seeking through informal networks.<sup>259</sup> This will help to manage migration so that the cities are not flooded with large numbers of unemployed workers.

According to the World Bank report, some reports have suggested that China may face labour shortages in the near future.<sup>260</sup> Reasons stated for the concern over a declining labour surplus are recently reported unfilled job vacancies, particularly in Guangdong, Jiangsu, Shandong and Zhejiang provinces; also, the idea that rising wages for both highly skilled and lower skilled workers and migrants, and high turnover rates in employment are resulting in increased competition between companies for workers.<sup>261</sup> For example, Cai Fang’s 2007 report reveals a belief that the number of surplus rural labourers is much lower than the typical estimate of 150-

<sup>256</sup> Urbanization to enrich farmers, 2005

<sup>257</sup> *World Bank China quarterly update*, September 2007, pp.23-24

<sup>258</sup> Meeting the needs of migrant workers, 2008

<sup>259</sup> *World Bank China quarterly update*, September 2007, pp.23-24

<sup>260</sup> *World Bank China quarterly update*, September 2007

<sup>261</sup> *Ibid*, p.19

200 million because many people registered as employed in the agricultural sector are older and are thus less employable than younger workers; for this reason Cai Fang estimates a total of merely 40 million surplus labourers.<sup>262</sup>

Fears of an impending labour shortage based on figures such as those of Cai Fang, however, are unfounded. All that these figures indicate is that there are alternative ways of calculating surplus labourers to those officially published. The same World Bank report cites a number of reasons why the labour shortage may not be such a rapidly approaching crisis as some researchers believe. These reasons include the fact that the labour shortages reported have been concentrated in certain industries and certain companies, rather than being a universal trend; also, there is some ambiguity over the number of people who are registered as being employed in the agricultural sector but are actually working as migrants in other sectors. Another reason why China may not be facing a looming labour shortage is that employment in agriculture is expected to decline as China develops and as agriculture becomes more productive, releasing more labourers into other sectors. Additionally, official statistics regarding wage increases are incomplete and do not fully display the actual situation. Some workers have seen very low wage increases, and so reports on the seriousness of competition between firms for labourers may be exaggerated. Finally, the labour market data is believed to be of poor quality and thus unreliable.<sup>263</sup> Whether or not China is facing a labour shortage, the government continues to face the mammoth challenges of linking labour supply and demand and maximising the productivity of labour.

A fifth measure being undertaken by the current government to tackle the social problems created by rural-urban migration is the enhancement of the standard of living in the countryside as an incentive for peasants to stay put. Push factors such as low rural income, the stagnation of agriculture, and low prices for rural goods and services, together with pull factors such as the prospect of higher income in the city and the attraction of easy-gained temporary employment, have spurred rural-urban migration throughout the reform era. The government now aims to diminish the influence of these push and pull factors by reducing the rural-urban gap. The significance of this strategy is that it is a fresh initiative. Rather than merely trying to discourage migration to the cities by preventing migrants from settling there

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<sup>262</sup> Ibid, p.20

<sup>263</sup> Ibid, pp.20-21

permanently, the government is now encouraging rural people to remain in the countryside by developing it so that it is an attractive alternative to migration.

China's current leaders are firm believers in "integration in a balanced manner."<sup>264</sup> This involves acknowledging the differences between rural and urban areas and integrating the two so that urbanisation can take place in an organised way. Rather than attempting to urbanise the countryside, the integration process is intended to build up rural infrastructure, facilities and the environment so that the countryside does not lag behind the cities. Evidence of this strategy can be seen primarily in the plan to 'Build a New Socialist Countryside,' which was introduced in Chapter 1. Elements of this programme, such as the abolition of the agricultural tax, the increased fiscal investment in agriculture and in rural social services and infrastructure, and the strengthening of the village election system are designed to make the countryside a more attractive and prosperous place to live. Ideally, the programme will on one hand help to limit rural-urban migration to match the labour demand in the cities, while at the same time enhance social stability by improving the quality of life of China's rural people.

### **Will current strategies achieve success?**

Is the central government likely to be successful in neutralising the threat of social instability from rural migrants and creating a 'harmonious society' for rural migrants? The government certainly has good intentions toward tackling the problems associated with migration and urbanisation by guaranteeing rural workers' rights and improving their living conditions. However, the success of the centre's initiatives is partly dependent on city labour bureaux and employers effectively implementing the appropriate policies and programmes to ensure that migrants' rights are upheld. If, for example, migrant workers continue to experience delays in wage payments or are denied affordable access to social services such as education, insurance and health care, they will remain discontented. While some progress is being made toward upholding workers' rights, achieving successful implementation of these policies is not likely to be an easy task to accomplish, given the hundreds of millions of *nongmingong* and their wide variety of employers.

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<sup>264</sup> Balanced integration for a new countryside, 2008

Secondly, as mentioned earlier, the existing *hukou* system, as long as it continues to treat rural migrants as an underclass without proper rights, is not a valid means of managing rural-urban migration. The central government's success in achieving a peaceful, sustainable urbanisation process is thus dependent on the careful reform of this system. The fact that the government is considering such a reform is a positive development. However, this will certainly be a long-term challenge for China's leaders, and progress should not be expected to be rapid. While *nongmingong* continue to experience discrimination and exploitation, the threat to stability is likely to remain.

Throughout the many stages of migration policy in Communist China, the migrant peasantry has been fundamentally exploited, yet without them China could not have reached its current stage of development. Not only this, but the continued longevity of the Party's rule also depends on these migrants' contentment. The central government has in the past relied on rapid economic growth and the concept of 'moderate prosperity' to gain the approval of its citizens and so ensure its legitimacy, but in recent years these trends are only creating social and economic inequalities that are instead not only undermining the Party's reputation, but also potentially threatening its survival as the sole ruling party. This chapter has described the extent of this threat from the rural migrant class, of which the Party is extremely wary. The centre's colossal task now lies in the defusing of this threat.

### Chapter 3

#### Rural Unrest

This chapter seeks to examine the issue of social unrest in China's countryside. It will describe how rural conflict has arisen during the past several decades, and will analyse the extent to which this conflict is a threat to the sustainability of the Communist Party's rule. It will then discuss the current government's efforts to tackle this problem and assess whether these measures will be sufficient to bring stability to the countryside. Finally, it will speculate on how the current government's efforts to reduce rural unrest are likely to affect China economically, socially and politically.

The discussion of rural unrest here focuses on the development of rural unrest during the reform era, since it has been primarily since Deng's coming to power that unrest in the countryside has become a serious problem. This is not to say that there was no evidence of rural conflict during Mao's time, but peasant resistance to the state during Mao's time was primarily indirect<sup>265</sup> and covert.<sup>266</sup> Displays of unrest such as rioting, demonstrations and petitioning occurred rarely, most likely due to the repressive political atmosphere of the day. An exception to this was during the famine caused by the Great Leap Forward, during which time the Party's authority was broken in some areas. For example, armed rebellions occurred in Tibet, Yunnan, Sichuan, Gansu and Qinghai.<sup>267</sup> Apart from these rare outbursts, however, Mao's era saw little outward resistance.

This chapter begins by commenting on the rise in rural unrest in the reform era, then describes three main reasons for peasants' discontent. It will then discuss expressions of peasant dissatisfaction, and comment on the Deng and Jiang administrations' responses. The remainder of the chapter will explain and analyse the response of the current government to the rising instability in China's countryside.

Despite the improvement in the standard of living of farmers in Deng's time, it was also during the reign of Deng that farmers began to show dissatisfaction with their local leaders overtly, contrasting with their less open resistance during most of the Mao era. One possible reason for the new increase in rural unrest that occurred after Deng's rise to power was the increased confidence of peasants to display their

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<sup>265</sup> Zweig, 1997, p.133

<sup>266</sup> Oi, 1999b, pp.625-626

<sup>267</sup> Ji, 2004, p.90

dissatisfaction with local officials. Zweig writes: “decollectivization, the end of campaigns, and the demise of Maoist ideology have significantly freed the villagers ... making them more assertive in defence of their interests”.<sup>268</sup> In the reform era, it is the local officials who are the main focus of the peasants’ resistance.<sup>269</sup> This can be attributed to the state’s diminished involvement in the day-to-day lives of the peasants with the absence of mass political campaigns, as well as the changing relationship between peasants and cadres described below. Another reason for the increase in open dissent is that rural residents have become better informed about their rights and about illicit cadre behaviour since 1978.<sup>270</sup>

While the relaxation of controls in the reform era made protest possible, the motives for particular protests were provided by three underlying causes of peasant discontent: the high taxes and fees imposed by various levels of government, corruption among local cadres, and land seizures.<sup>271</sup> These roots of unrest will be examined individually.

### **The peasant burden: taxes and fees**

Since relatively early on in the reform era, peasants have been protesting against high taxes as well as extra fees and levies demanded by local cadres, which have contributed to what is commonly referred to as *nongmin fudan*, or the peasant burden. Taxes and fees have included both the agricultural tax, levied by the township government, and other fees charged by the village and township governments.

Local officials at both village and township levels began to demand more and more from the peasants in their jurisdictions for a variety of reasons. The main one is that as a result of economic reforms begun under Deng, many local governments found themselves lacking in revenue and became dependent on farmers for the resources they needed. During Deng’s economic reforms, including the fiscal decentralisation process begun in the mid-1980s, local governments were granted a greater degree of economic autonomy from the central government, and this changed the amount of control over resources that rural cadres had. This had a significant impact on peasant-cadre relations. On one hand, after having paid a small portion to

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<sup>268</sup> Zweig, 1997, p.131

<sup>269</sup> Ibid

<sup>270</sup> O’Brien and Li, 1995, p.763

<sup>271</sup> Oi, 1999b, p.626



upper level governments, local governments were able to keep most of the incoming revenue.<sup>272</sup> On the other hand, these local governments also became more reliant on their own resources for their revenue and less dependent on the central government.<sup>273</sup> This also resulted in inequality of access to resources between one rural government and another, because some areas, particularly those with highly productive township and village enterprises, were naturally prosperous, while others struggled to extract the revenue they needed for further development.<sup>274</sup>

Furthermore, the decollectivisation of agriculture meant that households were now in control of the means of production. Farmers still had to pay agricultural tax, but this was paid to the township governments and not to the village government, since the village level of government was not regarded as a fiscal accounting unit.<sup>275</sup> According to Oi, “The household responsibility system eliminated the right of village authorities to income from agricultural production but failed to provide them with a sufficient alternative source of revenue.”<sup>276</sup> As a result, many village governments found themselves lacking in revenue and some even fell into debt. Township governments also experienced revenue deficiencies.

Local governments were also burdened by the decentralisation of public services such as healthcare and education, and by the 1980s it was up to local governments to foot the bill for these services.<sup>277</sup> The first nine years of education became compulsory nation-wide during the reform era, but many rural governments were not able to afford the costs of educating the local children. They also struggled to invest money in healthcare, and as a result many clinics were in need of upgrading, and doctors’ salaries remain low. The perpetual reality of rural poverty only heightened this problem.

Local governments became highly dependent on local industries as sources of revenue and were thus subject to fluctuations in the rural economy. For example, officials relied on the prosperous township and village enterprises throughout much of the 1980s to obtain local funds, but the decline of these TVEs in the late 1980s and 1990s meant that cadres could no longer rely on them for additional funds.<sup>278</sup>

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<sup>272</sup> So, 2007, p.565

<sup>273</sup> Oi, 1999a, p.20

<sup>274</sup> So, 2007, p.565.

<sup>275</sup> Oi, 1999a, p.20

<sup>276</sup> Oi, 2004, p.141

<sup>277</sup> So, 2007, p.565

<sup>278</sup> Oi, 2004, p.149

Because of their financial predicament, village and township cadres began to obtain money by collecting fees and levies from the peasants to compensate for their losses. Two such fees, which were actually legitimate, were known as *tiliu* and *tongchou*, and were paid to the village and township governments respectively. The sum of the *tiliu* and *tongchou* were not supposed to rise above 5% of peasants' household income, but in reality they often did.<sup>279</sup> In addition to the official taxes and fees, rural officials charged peasants ad hoc fees for a wide variety of affairs; such fees are known as the “three unrulies” or *sanluan*, and included fees, assessments, and fundraising.<sup>280</sup> For example, as a result of low government funds, it was often the peasants themselves who were required to pay for their own household's education and healthcare. Fees were even charged for things such as getting married and mail delivery;<sup>281</sup> other examples included fees for the registration of births and the issuing of various licenses.<sup>282</sup> The tax-for-fee reform introduced under Jiang was intended to eradicate these extra fees, but the effects of the reform have yet to be seen. This particular reform will be discussed further on in this chapter.

Local governments also turned to ‘fundraising’ among the peasants in order to contribute to the development of their region and to carry out various central government policies. Some such fundraising drives were for projects such as road and school construction, medical facilities, and construction of power stations.<sup>283</sup> A key reason why local cadres acted under such urgency to develop their regions was the existence of the ‘cadre responsibility system.’ The system involved performance contracts and provides economic incentives for cadres to reach certain development targets, to control family planning, to remit taxes, and to maintain social stability.<sup>284</sup> Thus cadres were highly motivated to provide proof of development in their jurisdiction. This kind of behaviour occurred particularly among officials in the inland regions, which were poorer and where rural industry was not as developed as along the eastern coast.<sup>285</sup>

Cadres also took advantage of the loosening up of the rural-urban migration policy. As the *danwei* and commune systems broke down and peasants were free to

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<sup>279</sup> Oi, 1999a, p.21

<sup>280</sup> Bernstein and Lü, 2000, p.743

<sup>281</sup> Becker, 2000, p.44

<sup>282</sup> Bernstein and Lü, 2000, p.743

<sup>283</sup> Ibid

<sup>284</sup> So, 2007, p.566

<sup>285</sup> Solinger, 1999, p.46

move to and from the cities (albeit often without the privilege of urban benefits and social services), the demand for urban *hukou* escalated. Cadres found that they could benefit through selling urban *hukou*. Writing in 1999, Chan and Zhang stated that since the fiscal decentralisation reforms of the 1980s, “local governments have been aggressively exploiting the sales of urban *hukou* as a revenue-generating means as there is no shortage of demand”.<sup>286</sup>

It was not only poor peasants who suffered from the abuse of cadres’ power, but also those who were well-off. When collective funds and local government incomes were low, cadres were known to collect supplementary funds by using blackmail or wresting money from richer entrepreneurial peasants.<sup>287</sup> In addition to this, before the abolition of the agricultural tax, officials short of revenue were known to pay IOU slips for peasants’ grain instead of proper payment, providing another reason for peasants to become angry at their leaders.<sup>288</sup>

The result of these changes has been a heavy burden for many peasants which has continued to the present. The taxes and fees demanded by local officials has meant that many peasants have struggled to save money and to have enough for basic living costs. Many rural families have not been able to afford schooling for their children. China’s Ministry of Health revealed statistics showing that in order to avoid paying too much for healthcare, one third of poor rural patients elect not to go to hospital, and 45 percent of those in hospital request discharge before they have fully recovered.<sup>289</sup> As an example of the difficult situation peasants have found themselves in, Li Qin points out that between 1985 and 1991, peasant incomes increased by 10 percent, but burdens (taxes and fees) increased by 16.9 percent.<sup>290</sup> This offset much of the value of their rise in income. The peasant burden has contributed to the problem of rural-urban inequality and the low level of development of the countryside in general. It should be acknowledged that some taxes and fees *are* legitimate, for example the *tiliu* and *tongchou* while they were still in effect – so long as they did not rise above the authorised 5 percent.<sup>291</sup> However, the problem lies in cadres’ extortion of money in excess of what they are legally entitled to collect. For example, local authorities found ways to use the 5 percent *tiliu* and *tongchou* regulation to their advantage in

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<sup>286</sup> Chan and Zhang, 1999, p.839

<sup>287</sup> Zweig, 1997, p.114

<sup>288</sup> Knight and Song, 1999, p.42

<sup>289</sup> Rural Medicare System to Benefit More Farmers, 2007

<sup>290</sup> In Bernstein and Lü, 2000, p.748

<sup>291</sup> Bernstein and Lü, 2000, p.743

order to collect more and more fees.<sup>292</sup> This was partially due to the ambiguity in the assessment of the *tiliu* and *tongchou*. The agricultural tax, until it was rescinded in 2006, was also legitimate, but when combined with other miscellaneous fees and levies charged by township and village governments, it only added to the peasant burden. Becker writes that an estimated 116 billion yuan in illegal fees was collected by local governments in 1996 alone.<sup>293</sup> Part of the central government's challenge in addressing this issue has been its inability to secure local officials' cooperation in preventing the illegal collection of fees. Another part of the difficulty in solving this problem has been the involvement of central government agencies. In some cases, central government agencies have been responsible for authorising fundraising operations and fee collections, all in the name of rural development.<sup>294</sup> This misuse of power by the local state, referred to by Evans as 'predatory'<sup>295</sup>, is the kind of behaviour that began to undermine cadre-peasant relations early in the reform era and continues to do so today.

### **Land expropriation**

A second main root of rural unrest is the common problem of land expropriation. On numerous occasions peasants have found themselves landless after their land has been confiscated and put to other use without their consent – or with forced consent. Often these land seizures take place without proper authorisation from higher authorities. In many cases, farmers have received inadequate or even no compensation for their land.

Land is often taken by local government officials to sell to developers, who in turn build lavish apartment buildings and other commercial and industrial structures. This is also a frequent occurrence when city suburbs spread out and absorb outlying rural areas; property that is technically collectively owned is snatched up and transformed from agricultural land to urban commercial or residential land.<sup>296</sup> Local governments have also taken advantage of foreign investors' eagerness to 'buy' land for developments such as technological parks and industrial complexes. While this phenomenon began in the 1980s with the establishment of Special Economic Zones, it

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<sup>292</sup> Ibid, p.147

<sup>293</sup> Becker, 2000, p.60

<sup>294</sup> Bernstein and Lü, 2000, p.751

<sup>295</sup> in So, 2007, p.568

<sup>296</sup> Ho, 2001, p. 409

has become more frequent since the 1990s. Although the central government has made attempts to quell this prolific sale of land, local governments have resisted strongly.

It is important to acknowledge that land reallocation by rural officials has been occurring regularly in villages since the beginning of the reform era, and should not be confused with seizures of land for sale to developers. Although the pattern of land reallocation differs between regions, agricultural land is frequently redistributed between households according to family size, labour supply and demographic composition.<sup>297</sup>

There are a number of reasons why peasants have become angry when their land has been taken from them. In many cases, land expropriated from peasants results in their loss of livelihood and security; their situation becomes even worse when they are inadequately compensated.<sup>298</sup> They also resent local officials' coercive measures to take land, especially when expropriation takes place without the necessary authority from higher levels of government.<sup>299</sup> On top of this, officials have been known to pocket the profits from land sales to developers.<sup>300</sup> In this way, local officials and private entrepreneurs often gain much when farmland is converted for other uses, while the peasants are without a doubt the ultimate losers in the process.<sup>301</sup>

How can it be that this kind of illegal land transfer continues to take place? The key to answering this question is to look at the current land rights system. The system allows the use rights of land to be bought and sold, but does not guarantee the private ownership of the land itself. Because peasants are prohibited from privately owning farmland, the land they use can essentially be demanded from them. In order to understand better how the current situation of land rights in China has evolved, it is necessary first to glance back to the beginning of the reform period.

From the 1950s until the late 1970s, the system of agriculture was collective, and land was owned collectively as well. When China emerged from the Maoist era and Deng Xiaoping began to initiate economic reforms, both the work of farming and the use of land were decollectivised. Under the household responsibility system, which was introduced in Chapter 1 of this study, land was divided up relatively

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<sup>297</sup> Putterman in Brandt, Huang, Guo and Rozelle, 2002, p.83

<sup>298</sup> Guo, 2001, p.430

<sup>299</sup> Ibid, p.431

<sup>300</sup> Turning ploughshares into staves; China's land disputes. (Ambiguous property rights make it easy to dispossess peasants), 2005

<sup>301</sup> Guo, 2001, p.431

equally among households, and although the land still belonged to the production team, farmers were free to choose how they used the land. Each household was obliged to hand over a specified portion of their produce to the production team since this went towards the state tax and grain quota, but apart from this, farmers could retain what was left and use it as they pleased. Lest farmers fear that the system would be on a temporary basis and so invest only scantily in their land, the production teams, under a government regulation issued in 1984, leased the land to the farmers for periods of up to fifteen years. This fifteen-year period later became a thirty-year period. In this way, although the ownership of the land remained collective, land *use* was essentially privatised. Land use rights could be rented, bought, sold and mortgaged,<sup>302</sup> but privatised land was still prohibited. This is still the case in contemporary China.

An important question to ask here is this: if the farmers do not own the land, then who does own it? While the answer to this question essentially remains hazy, it can be said that in essence, farmland is collectively owned and the state still has ultimate rights over it. However, the Revised Land Administration Law does not adequately define the nature of collective ownership, thus rendering land ownership ambiguous.<sup>303</sup> That is, the law is not clear exactly whether it is the village, the township, or the peasant body itself that constitutes the ‘collective’ and thus has ownership rights over the land. There are a number of other reasons contributing to this ambiguity, such as inconsistencies in applying land tenure regulations, frequent changes in land ownership and tenure laws over the course of PRC history, and the merging and subdividing of villages in recent years.<sup>304</sup>

There is a relationship between the ambiguity of the land rights system and the profusion of land seizures in the countryside. For example, even when the term ‘collective ownership’ is applied to the village context, this does not entail that the village has full control over the land. While the village collective has the right to use and to supervise the use of land, the right to “transfer land for compensatory use” does not belong to them, since the PRC Land Administration Laws of 1988 and 1999 allow for state expropriation of collectively owned land if it is in the public interest.<sup>305</sup> Since

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<sup>302</sup> Meisner, 1999, p. 463-464

<sup>303</sup> Ho, 2001, pp.406-407

<sup>304</sup> Brandt, Huang, Guo and Rozelle, 2002, p.73

<sup>305</sup> Guo, 2001, p.424

the township administration has more power over the village administration,<sup>306</sup> the term “ownership” does not hold much weight when applied to the village context. This presents clues as to how land is able to be seized so easily from villagers and used for other purposes. The village government is in some cases powerless to prevent the township government from taking land. Or, on other occasions, the village government may cooperate with the township government to surrender village land if the village government will benefit financially.<sup>307</sup>

Because the reform era has been plagued with land requisitions and the subsequent demonstrations and other manifestations of peasant discontent, there has been much debate among scholars over whether land should be completely privatised, or whether the current state of affairs should be permitted to continue.

According to Peter Ho, the Chinese government believes that unrest can be avoided by maintaining the status quo in terms of land ownership. He argues that the Chinese government has purposefully maintained the ambiguous nature of the land rights system, asserting: “Legal indeterminacy is a major feature of the current Chinese land rights structure. More importantly, a great deal of this stems from the needs of the Chinese leadership for sustaining a deliberate institutional ambiguity to avoid social conflict”.<sup>308</sup> By this he means that should land ownership be more clearly defined, it is likely that land disputes would become more prolific. He does admit that “there is a high risk that the deliberate institutional ambiguity becomes an instrument in the violation of villagers’ interests”,<sup>309</sup> although he does not elaborate on how this has already taken place.

Some observers believe that the continued reluctance of the Party centre to relinquish the decades-old system of collective ownership is strongly linked to China’s socialist tradition. Socialism in China has traditionally demanded that land be collectively and/or state owned. This complies with orthodox Marxism, which is opposed to private property (not that the Chinese form of socialism has unswervingly followed the tenets of orthodox Marxism). There is also a historical pattern of post-communist countries welcoming the privatisation of land.<sup>310</sup> It is possible that policy makers have been avoiding the privatisation of land so that they can prove that China

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<sup>306</sup> Ibid, p.426

<sup>307</sup> Ibid

<sup>308</sup> Ho, 2001, p.407

<sup>309</sup> Ibid, p.421

<sup>310</sup> Ibid, p.396

still complies with the system of ‘socialism with Chinese characteristics’ rather than completely giving way to capitalism. And yet while ideology is a likely factor involved in the land privatisation issue, it may not be the only one. Oi points out that while the government does not allow for the privatisation of land, it does permit the privatisation of rural industry.<sup>311</sup> Thus privatisation in itself is not unknown in reform-era China. Furthermore, under the economic reforms begun in 1978, China has abandoned many socialist principles that it had previously clung to, such as the collectivisation of agriculture and the domination of state-owned urban industries. In terms of land rights, the Party appears unwilling to give up collective ownership, yet still eager to allow individual or household farming. Ho describes the system as “a government-owned and controlled land market that prohibits private ownership and a free land market; yet with the ideological compromise of paid lease and transfer of use rights”.<sup>312</sup>

Regarding the reluctance of China’s government to allow the complete privatisation of rural land, Oi believes that “While there may still be an ideological compass, the lack of consistency in rural policies suggests that other more immediate and pressing issues guide decision makers”.<sup>313</sup> What is implied by “other more immediate and pressing issues”? There are a number of factors involved.

Firstly, the ambiguity of the land tenure system makes it easy for land to be taken from the peasants in the name of economic progress. For example, in a study by Guo Xiaolin, township and county officials maintained that turning farmland into development zones was ultimately beneficial for their regions because it would promote the growth of tertiary industry and provide the local people with employment and business opportunities (even though there was no statistical proof that the local people *did* benefit from land development).<sup>314</sup> Although the central government resents the *unauthorised* seizure of peasants’ land, there are other cases in which it supports the conversion of farmland to other development projects which encourage economic growth. For this reason, it is to the government’s advantage to uphold the collective ownership of land. Furthermore, it is possible that the central government does not see the need for land privatisation, considering the post-Mao economic boom that has taken place completely under the existing land ownership system. Ho points

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<sup>311</sup> Oi, 1999b, p.627

<sup>312</sup> Ho, 2001, p.396

<sup>313</sup> Oi, 1999b, p.627

<sup>314</sup> Guo, 2001, p.428



out that “the impressive economic growth rates that China has shown over the past two decades seem to defy the need for privatization of land ownership”.<sup>315</sup>

Secondly, local government officials have long relied on the sale of land use rights as a source of revenue. Often, a large share of the profits from these sales to developers goes to local governments, in particular townships.<sup>316</sup> If land was privatised, they would lose this valuable revenue, which for many local governments would be catastrophic, given their already insufficient funds, and, in some cases, their level of debt. They might then be tempted to resort to extracting even greater fees from farmers.

Thirdly, because of the considerable economic power of rural governments, local officials have personally benefited from the sale of land use rights to private developers, since it is easy for them to pocket a portion of the money from sales. These officials are thus likely to be resistant to changes in the land tenure system. It is this kind of motive for maintaining the current land tenure system that incites such anger among China’s farmers. They are without a doubt the ultimate losers when farmland use rights are sold to developers.

Despite the government’s reluctance to privatise farmland, there are a number of valid reasons why privatisation *should* take place. Firstly, the deliberate institutional ambiguity Ho refers to can actually be said to promote social unrest, since it allows for frequent land seizures and the consequent unrest in the countryside. It can be argued that if farmers’ land rights were secure, the phenomenon of unauthorised land appropriation might become less of a problem. An article in *The Economist* asserts that “Clearer, enforceable property rights are essential if China’s 30-year boom is to continue and if the tensions it has generated are to be managed without widespread violence.”<sup>317</sup> While “enforceable property rights” are not synonymous with privatised land, recent Chinese history has shown that even long-term land leases are not watertight and thus are subject to violation by local officials.

Secondly, there is a relationship between the land ownership system and farmland loss in China. Although this issue is not crucial to the problem of rural conflict, it is still a critical factor in the land privatisation debate. The loss of arable land is significant here as it has partly been brought about as a result of the conversion

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<sup>315</sup> Ho, 2001, p.397

<sup>316</sup> Guo, 2001, p.428

<sup>317</sup> China’s next revolution – China’s next revolution; property rights in China, 2007

of farmland to urban and rural construction and industrial uses, which can in part be attributed to the effects of the land rights and ownership system. This land conversion has taken place at a rapid rate during the reform era. There are, in fact, many other causes for the loss of cultivated land that has taken place over the past several decades. According to China's government web portal – citing the Statistical Communiqué on the 2005 National Economic and Social Development released by the National Bureau of Statistics – the net loss of cultivated land in 2004 was 362,000 hectares, with losses due to construction (139,000 hectares), disasters (54,000 hectares), changes in agricultural production (12,000 hectares) as well as an additional 390,000 hectares of land set aside for ecological preservation. Included in the figure were 73,000 hectares of unreported land loss from former years.<sup>318</sup> Some of these losses in arable land can be considered useful, such as the loss to ecological preservation. Vaclav Smil argues that the loss of farmland has also had positive results when it has taken the form of changes in agricultural production. For example, farmland conversion has turned cultivated land into forests, pastoral land, and orchards. Some of these developments contribute to the more well-balanced diet that the people of China now enjoy, rather than relying almost wholly on grain for nutrition.<sup>319</sup>

Nevertheless, the loss of farmland due to its conversion for non-agricultural purposes is the worrying factor. As the statistics above show, the loss of cultivated land due to changes in agricultural production was a mere 12,000 hectares, while the loss due to construction was 139,000 hectares, comprising close to 40 percent of the total losses for the year. It is possible that if the ambiguity surrounding the issue of property rights were completely straightened out, then this kind of farmland loss could be brought under control.

It is vital for China to retain a sufficient amount of quality arable land so that agriculture can become more productive. Another important reason to keep an eye on farmland loss is to ensure the sufficiency of China's grain supply. China's leaders have been concerned with the diminishing amount of arable land per capita because of the nation's burgeoning population, and also because throughout Communist China's history, the government has adhered staunchly to the principle of maintaining grain

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<sup>318</sup> Land resources (n.d.).

<sup>319</sup> Smil, 1999, pp. 424-426

self-sufficiency (with the exception of a short period in the early 1990s).<sup>320</sup> Even as recently as 2004, the central government issued a 6-month suspension on all non-urgent conversions of agricultural land to stem the rapid loss of farmland.<sup>321</sup> Oi points that even if China is not able to supply all its own grain, it can still import more<sup>322</sup>, although this would mean becoming increasingly dependent on other nations for its food supply.

Becker asserts that China actually has more arable land per capita than nearby countries such as Japan, Taiwan and South Korea, and that it has the capacity to increase its total area of valuable farmland. He makes the point, however, that this would require “investment in irrigation and better seeds, investment that an individual peasant might not be prepared to make unless he was assured ownership”.<sup>323</sup> It can be argued that the long-term, renewable leases granted to peasants – up to thirty year contracts – are long enough to assure peasants that such investments would be profitable. Additionally, the PRC Property Law, which became effective on October 1, 2007, allows for automatic renewal of land leases, giving peasants even longer-term land use rights.<sup>324</sup> However, with the continuing trend towards land expropriation, peasants may still be wary of spending a lot of money on land which may be seized at any given time in the name of property development: the new law does not grant farmers full private ownership of the land. Property rights do affect the productivity of agricultural land because they influence how the land is used, and what kind of investment is put into the land.<sup>325</sup> If the necessary resources such as water for irrigation, quality seed, environmentally friendly fertilisers and other technology were subsidised by the state, however, peasants might be more likely to increase investment in their land and in this way enhance the land’s productivity without going through a process of land privatisation.

To privatise or not to privatise land remains a sticky question. Ho acknowledges:

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<sup>320</sup> Crook, 1999, p.336

<sup>321</sup> Turning ploughshares into staves; China's land disputes.(Ambiguous property rights make it easy to dispossess peasants)., 2005

<sup>322</sup> Oi, 1999, p.621

<sup>323</sup> Becker, 2000, p.62

<sup>324</sup> Zhu and Li, 2007

<sup>325</sup> Brandt, Huang, Guo and Rozelle, 2002, p.69

As land tenure touches on the very foundations of the Chinese state, striking the right balance between ideology and the socio-economic reality is an arduous task for the central leadership. The question is how far privatization can proceed before corrupting the Marx-Leninist principles of state and collective land ownership.<sup>326</sup>

Yet when the nation's stability is at stake, or at least stability in the countryside, this question may need to be answered sooner rather than later. Whether land is privatised or not, China's farmers need to have some guarantee of the security of their land tenure in order for the rural conflict associated with this issue to diminish.

### **Corruption in the local government**

A third cause for rural unrest among the rural population is the perpetual occurrence of what Zhao Renwei refers to as "disorder changes" – including corruption and insider control among government officials.<sup>327</sup> This is essentially linked to the previous points regarding illegal fee exactions and land seizures, since in many cases the behaviour of local officials constitutes a form of corruption.

For example, China's rural dwellers become angry when rural officials misuse tax money for their own benefit. During the reform era, they have used their power and networks not only to build up government coffers in the absence of sufficient funding from the central government, but they have also sought to benefit personally from economic growth in their areas and to control resources such as land.<sup>328</sup> They have been known to 'wine and dine' liberally at the expense of local taxpayers<sup>329</sup> and to use taxpayers' money for all sorts of other luxuries. While corruption exists at all levels of government, it is primarily officials at the village, township and county levels whose corruption peasants have been demonstrating against in recent years because it directly affects their livelihood.

Another example of local authorities' abuse of power is that some local government officials have benefited considerably from their connection with foreign firms who take advantage of rural China's cheap labour. Local officials work together with foreign investors to ignore labour rights. The incentive for local officials to act in

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<sup>326</sup> Ho, 2001, p.420

<sup>327</sup> Zhao, 2001, p. 38

<sup>328</sup> Zweig, 1997, p.16

<sup>329</sup> Bernstein and Lü, 2000, p.745

this way is that the cheap labour available by violating labour rights often helps to boost economic performance in their township or region, which in turn gives these officials the chance for promotion.<sup>330</sup> Not only is this phenomenon a form of local government corruption, but it is also encouraging the cycle of peasant exploitation that was begun in the Maoist period. Unfortunately, the existing labour unions, which all belong to the All-China Federation of Trade Unions, often fail to protect these workers' rights.<sup>331</sup>

Corruption among local government officials has been a perpetual problem during the reform era, and has increased as years have passed. Government figures show a nearly 100-fold increase in official corruption and bribery cases brought to court from 1979 to 1989.<sup>332</sup> The Communist Party's Central Commission for Discipline Inspection (CCDI) reported 3,128 corruption cases involving government workers and taxes worth 968 million yuan (121 million US dollars) from August 2005 to June 2006.<sup>333</sup> These figures relate to Party and government officials in general, not just local rural cadres, so it is not known how many of these cases occurred among rural government employees. However, the figures suggest an enormous challenge for China's leaders to diminish the problem of corruption. Furthermore, these are the official figures for those corruption cases that are known to have occurred, so the total number of cases is certainly greater still.

One particularly important reason why China's top leaders need to tackle the problem of corruption in the countryside is because of the recent abolition of the agricultural tax. Many local officials have for long depended on the agricultural tax, as well as other taxes and fees, for both local revenue and their own well-being. There is anxiety among China's leaders that the reduction of local government revenue due to the abandonment of this long-standing tax is likely to drive corrupt officials to seek money elsewhere – for example by illegitimately exacting fees from peasants – as they have been doing throughout the reform era. An official source admits, "It is ... difficult to reform the county and township financial systems, which are closely bound to officials' personal interests. It is entirely possible that administrative organs

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<sup>330</sup> Zheng, 2007, p.21

<sup>331</sup> Lam, 2006, p.93

<sup>332</sup> Chi, 2000

<sup>333</sup> Chinese president delivers speech at anti-corruption session, 2007

at these levels, whose existence has mainly relied upon agricultural taxes, will fall into an unprecedented predicament”.<sup>334</sup>

### **Expressions of discontent**

In response to the local authorities’ behaviour and the arbitrariness of fee exactions, the expropriation of farmland and corruption among local officials, many of China’s rural dwellers have taken action to show their dissatisfaction.<sup>335</sup> Rural unrest has been on the rise during the reform era, and remains a thorn in the central government’s flesh. According to Yu, the illegal seizures of peasants’ land and the conversion of agricultural land to industrial and recreational uses have become the most significant source of peasant unrest since 2000.<sup>336</sup> Alvin So writes that a “new wave” of land seizures has swept through the countryside since the year 2000.<sup>337</sup> The central government recorded 87,000 “public order disturbances” in the year 2005, compared to 10,000 in 1994.<sup>338</sup> According to Zhou Yongkang, the Minister of Public Security, the number of “mass incidents” numbered 74,000 in 2004, which equates to about 200 demonstrations, riots, and other displays of rebellion per day.<sup>339</sup> In the case of protests against land seizure, some have been directed toward local officials, while at other times the property developers are the target.

While not all rural citizens have been quick to take part in popular resistance, those who have participated have manifested their discontent in all manner of ways, both legal and illegal. Resistance has taken the form of violent and non-violent, collective and individual protests.<sup>340</sup> Peasants have been known to riot, to surround government buildings and even to set fire to officials’ offices.<sup>341</sup> Other measures of protest include petitioning<sup>342</sup>, lodging collective letters of complaint at higher levels,<sup>343</sup> and suing the government.<sup>344</sup> Li and O’Brien classify villagers as either compliant (*shunmin*), recalcitrants (*dingzihu*), or policy-based resisters (*diaomin*). The

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<sup>334</sup> Agriculture: lifeblood of the nation, 2005

<sup>335</sup> Bernstein and Lü, 2000, p.745

<sup>336</sup> in So, 2007, p.570

<sup>337</sup> So, 2007, p.570

<sup>338</sup> Beech, 2006

<sup>339</sup> Fan, 2005

<sup>340</sup> Bernstein and Lü, 2000, p.752

<sup>341</sup> Fan, 2005

<sup>342</sup> Oi, 2004, p.142

<sup>343</sup> O’Brien and Li, 1995, pp.758-9

<sup>344</sup> Lam, 2006, p.125

attitude of these three types of peasants towards the behaviour of rural cadres is markedly different. While even compliant villagers may grumble quietly, they typically refrain from making any move toward public resistance.<sup>345</sup> Such villagers are convinced that the cost of overt action against the authorities is greater than the potential benefits.<sup>346</sup> Recalcitrants, on the other hand, are often violent, dramatic and defiant in their resistance. Policy-based resisters take legal courses of action – including both individual and collective action – to vent their dissatisfaction. Aware of their rights and obligations, they observe only official laws and policies rather than the arbitrary demands of local authorities.<sup>347</sup>

How successful are peasants in expressing their grievances? Public displays of discontent such as rioting attract attention not only from the central government but also from the general population and outside observers. In light of this, such demonstrations cannot be ignored. At the same time, they are also subject to suppression by the authorities. Property developers have even been known to retaliate violently against the protesting villagers, which has only deepened the problem. For example, in June 2005 in Shengyou village in Hebei province, villagers unhappy because of land seizures were beaten by a mob of hooligans sent by property developers to crush their protests. As a result, six villagers were killed and about 50 injured were admitted to hospital.<sup>348</sup> This highlights the potential dangers of peasant protests. The CCP itself has also been wary of peasant dissent and has been known to suppress a significant number of demonstrations.

Doig comments on the contradiction between Party policy, which promotes the expression of peasants' complaints, yet fears the potential outcomes of such assertion.<sup>349</sup> Policy-based resisters have been identified as posing the greatest threat not only to individual officials' power but also to the rule of the local government.<sup>350</sup> The legitimacy of their actions puts the law on their side, and they are well aware of this fact. At the same time, their non-violent resistance is also more easily brushed aside by both local and central authorities. Lam writes that even though more and more citizens have begun suing the government, particularly for local officials'

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<sup>345</sup> Li and O'Brien, 1996, p.32

<sup>346</sup> Zweig, 1997, p.18

<sup>347</sup> Li and O'Brien, 1996, pp.35-47

<sup>348</sup> Turning ploughshares into staves; China's land disputes.(Ambiguous property rights make it easy to dispossess peasants), 2005

<sup>349</sup> Doig, 2007, p.32

<sup>350</sup> Li and O'Brien, 1996, pp.35-47

unauthorised seizure of farmland, only a small number of cases are successful.<sup>351</sup> Petitioning, while it is a legitimate means of complaining, is also largely ineffective, and according to officials commenting for the *Hong Kong Economic Journal* in 2004 only 0.2 percent of petitioners' cases were adequately resolved. Furthermore, local officials staunchly try to prevent farmers from petitioning at the central level.<sup>352</sup> Lodging letters of complaint to higher levels of government may be successful in disciplining or even removing a dishonest cadre from office, but this form of protest can also be unsuccessful: "activists may give up, be bribed, be repressed, resort to violence, be imprisoned or even become cadres themselves."<sup>353</sup>

The success of peasant complaints is ultimately dependent on the response of the central government. In light of this, it is important to examine the government's response to the rising levels of discontent.

### **Early government responses**

During Deng and Jiang's time, the central government was not oblivious to the problems behind the increase in rural unrest, nor was it completely negligent in its attempt to tackle the issue. For example, in an attempt to stop rural officials from demanding excessive taxes and fees from peasants, the centre issued no less than 25 edicts concerning rural burdens between October 1985 and March 1996, according to *Fazhi Ribao*<sup>354</sup>, demonstrating its strong intention to promote peace and fairness in the countryside. Unfortunately, the centre has had extreme difficulty in enforcing such directives, as they have often been ignored or wrongly enforced by local cadres. An example of a more recent measure introduced by Jiang's government was the tax-for-fee reform policy, or *feigaishui*, instituted in 2001 in order to reduce peasant burdens by replacing the *tiliu* and *tongchou* and other fees with only one tax – either the agricultural or special agricultural products tax, along with an associated surcharge. The reform also involved increased accountability for local authorities' collection of taxes.<sup>355</sup> The new policy has reduced peasant burdens in some villages: in 2002 it enabled the total amount of taxes and fees peasants paid to drop by 30 percent,

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<sup>351</sup> Lam, 2006, pp.125-126

<sup>352</sup> In Lam, 2006, p.103

<sup>353</sup> O'Brien and Li, 1995, p.779

<sup>354</sup> in Bernstein and Lü, 2000, p.750

<sup>355</sup> Oi, 2004, p.150



amounting to 30 billion yuan in savings.<sup>356</sup> However, the tax reform's long-term effectiveness has yet to be seen. One of the major shortcomings of *feigaishui* is that it drastically reduces local government revenue, and so local governments must make up for this loss by increasing economic development.<sup>357</sup> The centre intends to counteract this by providing "fiscal safety nets" for those localities in dire need and providing more subsidies for rural areas.<sup>358</sup> In this way, the success of *feigaishui* is ultimately up to the ability of the central government to support the poorer rural governments financially. A number of scholars have questioned the central government's ability to sustain this kind of support. For example, Peking University economist Justin Lin believes that the central government's financial situation is inadequate to prop up the provinces in the long term.<sup>359</sup> It seems that while the reform may eliminate the ad hoc fees and charges that have so embittered peasants, *feigaishui* may not help to break the vicious cycle of low government revenue in rural regions.

Jiang's government did see some success in tackling the problem of unauthorized tax and fee exactions. According to Yu Jianrong, there has been a reduction in rural protests against excessive taxes and fees since 2000.<sup>360</sup> However, at the same time, demonstrations against land seizures have increased significantly. Shortly prior to the 16<sup>th</sup> Party Congress held in 2002, demonstrations and petitions were rife.<sup>361</sup> This is evidence that rural protest remained a dilemma at the fourth generation of leadership's coming to power.

Neither was the central government unaware of the problem of corruption among its officials. In Jiang Zemin's speech at the 16<sup>th</sup> Party Congress, he admitted:

Public order is still poor in some places. Formalism, the bureaucratic style of work, falsification, extravagance, and waste are still serious problems among some leading cadres in our Party, and corruption is still conspicuous in some places...Some Party organizations are feeble and lax. We must pay close attention to these problems and continue to take effective measures to solve them.<sup>362</sup>

Among his list of goals to pursue, Jiang declared:

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<sup>356</sup> Taxation reform benefits farmers (1), 2002

<sup>357</sup> Oi, 2004, pp.142;150-151

<sup>358</sup> Ibid, p.151

<sup>359</sup> In Lam, 2006, p.81

<sup>360</sup> As cited in So, 2007, p.570

<sup>361</sup> Oi, 2004, p.142

<sup>362</sup> Full text of Jiang Zemin's report at 16<sup>th</sup> party congress (1), 2002

We must maintain the Party's nature and purposes, strengthen and improve Party building in the spirit of reform, enhance the Party's art of leadership and governance, increase its capability of fighting corruption and guarding against degeneration and risks and make unremitting efforts to combat corruption. The Party must keep its flesh-and-blood ties with the people as well as its progressiveness, purity, solidarity and unity.<sup>363</sup>

This shows that even in the Jiang era the central government recognised that its relationship with the masses was dependent on fighting corruption in the Party and government at all levels.

A chief problem in early government responses was the central government's inability to enforce its policies locally. As mentioned above, local governments were granted greater autonomy at the beginning of the reform era, and this autonomy has given rise to the independent actions of rural officials. Unfortunately for China's rural masses, the Party's response to local government's non-compliance has been inconsistent, sometimes disciplining the local officials in question, while at other times choosing not to interfere. Fan writes: "The central government tries to balance its support of local officials with its protection of the legitimate interests of common people. Sometimes Beijing punishes local governments in order to defuse popular tension, sometimes it allows local governments to pursue their interests freely".<sup>364</sup>

The key to the centre's variable responses throughout the Deng and Jiang eras was maintaining stability throughout the nation. It would take whatever course of action was most capable of ensuring national stability. This included not only social stability, but also economic stability and growth. As has been shown in Chapter 1, in its pursuit of economic growth, the centre largely disregarded the plight of the peasants, and this was also true of its response to their discontent. China's leaders were for the most part too preoccupied with attaining rapid GDP growth to focus on policies to appease the unhappy under classes. Nevertheless, in his outgoing speech at the 16<sup>th</sup> Party Congress, Jiang exhorted:

Ensure stability as a principle of overriding importance and balance reform, development and stability...We should press ahead with

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<sup>363</sup> Ibid

<sup>364</sup> Fan, 2005

reform and development amidst social stability and promote social stability through reform and development.<sup>365</sup>

Despite these bold words, rural conflict continued well after Jiang's exit.

### **Response from Hu's government**

Since coming to power, the Hu administration has been projecting an image of *yiren weiben*, or "putting people first."<sup>366</sup> Another major essential catchphrase of Hu's policy focus is "Building a Harmonious Socialist Society." This pro-people vision implies that China's leaders have recognised the great degree of disharmony in their society and that they are bent on achieving social justice and so improving this situation. The central government under Hu's leadership has put together a package of policies and concrete strategies in order to meet these abstract goals. Some of these strategies are focused specifically on developing China's rural regions, and will be examined below. Alvin So describes the new policy shift toward rural development as a transition from 'Neoliberal Capitalism' to 'State Developmentalism'.<sup>367</sup> In other words, this means focusing less on the pursuit of GDP growth and instead concentrating on the sustainability of development and on its social consequences.

But beyond the obvious need to establish a relatively equal, just society lies a deeper motive for China's leaders to shift their focus to the underprivileged classes such as the peasants and rural migrants. The rural phenomenon of officials extorting extra taxes and fees from local residents, the profusion of land seizures and the persistence of corruption in the local government have all served to eat away at the people's faith in their local leaders. The perpetuation of demonstrations and rioting in the countryside is evidence of this. Yet on a deeper level, a crucial reason for addressing rural unrest is the possibility that the dissatisfaction in the countryside might in turn serve to undermine the legitimacy of the centre, which has so far failed to address these problems effectively. Is the extent of rural unrest that has developed during the post-Mao era now sufficient to pose a strong challenge to the legitimacy of the current political regime? This is an important question that Hu's generation of leaders must ask.

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<sup>365</sup> Full text of Jiang Zemin's report at 16<sup>th</sup> party congress (1), 2002

<sup>366</sup> Lam, 2006, p.68

<sup>367</sup> So, 2007, p.569

This question can, in fact, be argued either way. On one hand, some scholars have commented that the lack of a cohesive, unified movement among China's rural protesters means that the centre does not need to fear the possibility of being overthrown. Bernstein and Lü point out that "Rural protests were limited in impact because they were in the main dispersed and localized, with little direct evidence of co-ordination".<sup>368</sup> They refer to the period from the mid 1980s to the late 1990s. Knight and Song agree, saying that the manifestation of peasant discontent has up until the present not posed a serious threat to the regime because of the "fragmented, localized, unorganized nature of peasant society".<sup>369</sup> Oi states that since the peasants' wrath has been focused on local-level officials in the reform era, particularly since the late 1990s, "The central state never lost control of the countryside".<sup>370</sup> Alvin So believes that despite the frequent peasant protests, the state of unrest in the countryside does not signify a political upheaval or show that the current political regime is at risk.<sup>371</sup> He argues that China's rural dissidents have demonstrated their reliance on the central government to restore peace, order and justice in the countryside. When they appeal to the higher authorities, the key message that these peasants want to express is that there are inconsistencies between that which the central government has decreed and what local governments – especially township governments – are putting into practice. This means that "it is the central government which is often invoked as the source of authority against which township government has offended".<sup>372</sup> These arguments do not deny the problem of unrest; rather, they merely dismiss the potential of the current level of discontent to escalate into state-threatening disorder and chaos.

While it may be true that localized unrest directed at local officials and governments is less of a threat than uprisings against the central government, this study argues that the frequent and widespread occurrence of such protests – which are often violent – represents a pattern of unrest that, if left to continue, could eventually undermine the centre. There are several reasons that point to this possibility.

Firstly, although peasant protests have been largely directed at local officials, the general situation of discontent in the countryside is exacerbated by the problems

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<sup>368</sup> Bernstein and Lü, 2000, p.759

<sup>369</sup> Knight and Song, pp.53-54

<sup>370</sup> Oi, 2004, p.142

<sup>371</sup> So, 2007, p.576

<sup>372</sup> So, 2007, p.573

of rural-urban inequality and the treatment of rural migrant workers as an underclass described in Chapters 1 and 2. Both farmers residing in the countryside and migrant workers living in the cities are becoming increasingly aware of the great disparity between their living conditions and those of the growing urban middle and upper classes, and may soon come to appreciate fully the injustices they have been suffering. Both of these groups could pose a threat to the central government if it continues to prove impotent to address these injustices.

Secondly, despite the unorganised and localised nature of rural conflict displayed in the past, in recent years rural activists' strategies have begun to change. Peasants have become more used to the idea of using resources such as newspapers, television and official documents to disseminate their protests.<sup>373</sup> Communication is easier in the twenty-first century with the increasing proliferation of the internet, mobile phones, and other such technology. Peasants today are also more aware of their rights, and are more exposed to the vast difference between their situation and that of the urban middle and upper classes. This applies particularly to rural migrants, who are faced daily with extreme disparities in living conditions from their urban neighbours. Migrants, especially those in large cities, represent a significant threat as they can more easily congregate and organise themselves for collective resistance. The more resources protesters get their hands on, and the more collective and organised the demonstrations become, the greater the risk to the central government.

Thirdly, in the eyes of China's rural people, the perpetual lagging behind of the countryside, neglect of rural issues, and the decades-old segregation between the countryside and the cities surely inspires little confidence in the central government. If peasants continue to be brushed aside, in future years it may be the central administration, rather than local governments, that is blamed for its ineffectiveness in the ruling and management of lower level governments. Unhappy peasants have been reported to express their desire to see a modern day Chen Sheng and Wu Guang rise up; these two characters were leaders of the first great peasant uprising of the Qin dynasty.<sup>374</sup> While this kind of bold comment does not indicate an impending peasant uprising, it does show a degree of disillusionment with the central government, not just with the rule of local officials. The centre needs to work harder at restoring Party-

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<sup>373</sup> Bernstein and Lü, 2000, p.756

<sup>374</sup> Bernstein and Lü, 2000, p.753

peasant relations before the peasants completely lose faith in their top leaders and take extreme measures to express this. One article states:

At least a considerable number of workers and impoverished peasants feel that the Party represents the interests of those who have knowledge, capability, and wealth rather than *their* interests, and they have a centrifugal tendency. If the Communist Party does not take action to improve its relations with the working class and impoverished peasants, it will be very hard for the Party to gain their support.<sup>375</sup>

Furthermore, it was mentioned above that local officials have been taking advantage of cheap peasant labour in order to benefit personally. This may not yet have contributed to the problem of unrest, but if labour rights violations continue, it may ultimately become a source of instability in rural China. According to Yongnian Zheng, “China is now facing a rising tide of labour disputes, which could destabilise Chinese society and thus undermine the political legitimacy of the CCP”.<sup>376</sup> This threat from inside may be further exacerbated by international pressure to improve labour rights in China, especially given China’s relatively recent accession to the World Trade Organisation.

Pye points out that “the Chinese public is strongly supportive of stability, for as we all know a key feature of the Chinese political culture is a deep-seated fear of *luan* or chaos”.<sup>377</sup> If China’s leaders have recognised the problems described above as potential threats to the continuation of Party rule, and there is no doubt that they have, they can no longer afford to ignore the issues of rural discontent and social injustice.

The current government under Hu’s leadership is now taking concrete steps to reduce the extent of rural unrest. These include new policies and initiatives, as well as the continuation and improvement of measures initiated during the Deng and Jiang eras. Their strategies include increased investment in rural affairs through the rural development programme ‘Building a New Socialist Countryside’, deepening the reform of the rural administrative system, and improving the effectiveness of village elections. The following sections will first describe these solutions, then assess their potential to ensure a stable China in the twenty-first century and solve the problems that have been afflicting rural China for the past several decades.

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<sup>375</sup> Anonymous, 1999, p.131, my italics

<sup>376</sup> Zheng, 2007, p.19

<sup>377</sup> Pye, 2001, p.46

## **Building a New Socialist Countryside**

A first major effort to promote stability in the countryside is the newly initiated rural development programme ‘Building a New Socialist Countryside’. This programme is designed to stimulate the rural economy by increasing local governments’ revenue and so make local officials less dependent on exacting illegal fees from the peasants. The programme is also expected to reduce the rural-urban gap, which is in itself a reason for peasants to be discontented, as they undoubtedly envy those who are considerably more prosperous and sense the injustice of the huge rural-urban disparity. Thus the idea behind Building a New Socialist Countryside is that a reduced peasant burden should help to bring equality between the countryside and the city, essentially making the countryside more ‘harmonious’.

The strategy is aimed at raising the standard of living of rural residents, improving their access to and funding for social services, and investing a higher percentage of China’s national budget in agriculture, infrastructure, and other rural affairs (See Chapter 1 for more a more detailed mapping out of these concrete goals).

China’s current leaders have also recognised the negative impact that unrest in the countryside has had on the rural economy. Building a New Socialist Countryside aims to stimulate the rural economy by reducing this conflict. As discussed in Chapter 1, the rural development programme is intended to encourage rural consumption, which has remained low not only because of low rural incomes but also because of the unstable situation in the countryside. As low domestic consumption has left China’s economy to rely on fixed-interest investment and exports, the sustainability of economic growth is waning. What is more, the persistence of rural unrest has discouraged investment in rural areas, further contributing to the rural-urban gap.

How effective has Building a New Socialist Countryside been to date in improving the state of affairs? China’s official media lauds the progress of this rural development programme. China’s web portal is laden with reports of farmers’ lives being radically changed as a result of the government’s increased investment. Take for example Li Zhen, a Guangdong farmer who once worked in a village plant while her husband bred chickens on a small scale. The couple made around 20,000 yuan per year between them. After 2002, the two joined an animal husbandry group and began raising chickens on a large scale, and a few years later made 100,000 yuan in one

year. Li's success, as well as that of others who have joined such joint enterprise groups, is a result of the "scientific development outlook", according to Zhang Dejiang, Party Secretary of Guangdong Province.<sup>378</sup> Then there is Shangping village in Xihaigu region in Ningxia Autonomous Region, once a poverty-stricken mountain hamlet in north-west China. While still poor compared to more prosperous rural regions, Shangping received 1.2 million yuan in investment from the central government in 2005 for infrastructure and vocational training, according to Wang Dianzhong, the village committee head. The village used part of the funds to build a new sand road to connect it to the outside, as well as to provide villagers with microwave antennae for their household televisions. As a result of the increased level in development, the net income of villagers in the region increased on average 14.17 percent per year over the five years leading up to 2006, and the number of those living in absolute poverty dropped from 527,000 in 2000 to 152,000 in 2004.<sup>379</sup>

Statistics showing the reduction of taxes and the increase in farmers' incomes are also proudly publicised. For example, in the first three quarters of 2005, peasants' average expenditure on taxes and fees decreased by 62 percent.<sup>380</sup> According to a report by the National Development and Reform Commission, in the first three quarters of 2006, the average cash income of farmers increased 11.4 percent as a result of the government's favourable policies (this figure does not account for inflation).<sup>381</sup> Early in 2008 the centre announced its plan to increase spending on rural development by 30 percent for the year, amounting to an increase of 562.5 billion yuan from 2007.<sup>382</sup>

Success stories and figures such as these suggest that the government has so far been working hard to put words into action in terms of raising the standard of living of rural residents. However, as mentioned in Chapter 1, it will take a long time for all of China's farmers to benefit from the new policies. What is more, the programme's success is dependent on the cooperation of local governments, which the centre has not always been assured of. It is also important to ask whether Building a New Socialist Countryside is an effective measure for reducing rural unrest. This question will be addressed further on.

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<sup>378</sup> Farmer's income is no longer a chicken feed, 2007

<sup>379</sup> Poor region benefits from 'new socialist countryside' policy, 2006

<sup>380</sup> Farmers enjoy drastic tax reduction, 2005

<sup>381</sup> Farmers grow steadily richer, 2006

<sup>382</sup> 30% rise in rural spendings this year, 2008



The shortcoming of this rural development programme is that while the main focus of Building a New Socialist Countryside is investing more money in rural infrastructure, education, health care and agricultural technology, it does not address the issue of unauthorised land expropriation. The current government is attempting to solve this problem through the PRC Property Law, which was mentioned earlier. The law, while addressing urban property rights as well, seeks to increase the security of allowing automatic extension of land leases. It also seeks to protect farmers' land rights by requiring full compensation to farmers if their land should be expropriated.<sup>383</sup> As the law has only been recently instituted, however, its effectiveness has yet to be seen. This will depend largely on the successful enforcement of the law, and also on the systems put in place to allow farmers to bargain for their rights to compensation should their land be taken from them.

Although Building a New Socialist Countryside does not address the land rights issue, it is possible that the expected increase in the level of development of the countryside will bring economic growth, which should in turn increase local government revenue and so prevent local officials from trying to make fast money by selling off rural land. Another important point to highlight is that the effectiveness of this programme is also dependent upon eliminating the problem of rural cadres' unauthorised fee and tax exactions from rural residents, as well as reducing corruption to ensure that government funds do not find their way into officials' pockets. As the plans for the New Socialist Countryside are applied, the central government will have to ensure that appropriate monitoring systems are in place so that the fiscal transfers to the countryside will be of maximum benefit to the localities and not end up in the pockets of local officials.

Rather than allow land privatisation, Hu's government is instead introducing a fee to be charged for land that remains idle for more than one year and less than two years, as well as quintupling the tax on arable land used for non-farming purposes. The centre hopes that by instituting these measures, it will be able to better control the loss of farmland and improve the efficiency of land use.<sup>384</sup> Furthermore, the current government is cracking down on the unauthorised transfer of household land to property developers and the transfer of land without following the appropriate

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<sup>383</sup> Zhu and Li, 2007

<sup>384</sup> Gov't takes measures to improve land use efficiency, 2008

regulations by punishing those individuals and enterprises involved.<sup>385</sup> However, the effectiveness of these new strategies and the tightening of control over land transfers has yet to be seen.

### **Rural administrative reforms**

Hu's government also aims to reduce rural unrest by the continuation of the rural administrative reforms that were begun during Jiang's time. A number of problems in the system have been identified and are now targets of reform.

First of all, there are too many levels of administration and huge numbers of superfluous government workers, resulting in inefficiency. Brown writes that for every 40 people, there is one government worker employed by the central state, which contrasts with the ratio of 300 to one during the Qing dynasty and 8,000 to one in the Han dynasty.<sup>386</sup> The central government during Jiang's era began to address this problem by reducing government personnel. Beginning in 1998, Zhu Rongji, the Premier at the time, ordered the simplification of lower level government including a great number of mergers of administrative units and cut-downs of staff, including the reduction of central government ministries from forty to twenty-nine.<sup>387</sup> However, the administrative streamlining process during Jiang's era was mostly limited to central-level bureaucrats and institutions. The initiative is continuing under the Hu-Wen leadership, but under the direction of current Premier Wen Jiabao the reforms now include rural government. The main targets of the rural reforms are the administrative levels between the county and the village – that is, the *xiang* (rural township) and *zhen* (township).<sup>388</sup> Wen believes that the continued reform of the administration is the key to alleviating the peasant burden.<sup>389</sup> Recently, a large number of Party posts have been cut in certain provinces.<sup>390</sup> This is being done to help the local population save money by cutting administrative costs,<sup>391</sup> particularly in light of the rescinding of the agricultural tax. Without the tax coming in, local governments' revenue is lessened, creating a need to cut down superfluous government personnel. According to official

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<sup>385</sup> Deadline set for settlements of land use violations, 2007

<sup>386</sup> Brown, 2007, p.163

<sup>387</sup> Lam, 2006, p.141

<sup>388</sup> Ibid

<sup>389</sup> Chen, 2004

<sup>390</sup> China whittles down party posts for efficient governance, 2006

<sup>391</sup> Township Governments Cut by 789 Last Year, 2007

estimates in 2003, it took around twenty-five peasants to pay the salary of one local cadre, although in a number of poorer villages, a mere eight or nine peasants were expected to pay for each cadre. Such expenses have resulted in huge debts incurred by many local government administrations.<sup>392</sup> These figures highlight the burden of excessive government personnel that peasants have had to shoulder.

So far the reforms have been somewhat successful in slashing and merging towns and townships. Towards the end of 2003, the total number of towns had dropped by 375 to 20,226 throughout all of China; townships had decreased by 575 to 18,064; and 950 towns and townships had merged. The first nine months of 2004 saw 864 towns and townships merged or cut, which shows slowing progress but progress all the same.<sup>393</sup> A prime example of what has been going on in terms of reducing townships is in Jilin province. Since the beginning of the administrative reforms, Jilin has cut out and merged 291 townships, which is apparently saving 140 million yuan per year as a result of the dissolution of 1,874 government jobs.<sup>394</sup>

A second reason for the administrative reforms is in order to tackle the issue of corruption in its various forms. Township governments in particular have been a prime target of rural demonstrations in recent years; this can partially be attributed to the dishonest dealings of many officials at this level. In the process of reforming the administrative system, the central government aims specifically at weeding out those officials who are corrupt. China's current leadership is firmly committed to cracking down on acts of corruption, even among the higher ranks of the Party. While Jiang's administration was not blind to the problem of corruption, Hu's government is continuing the process diligently. Lam believes that Hu is more serious about fighting corruption in the Party and government ranks than was either Deng or Jiang, and is likely to be more successful, considering his firm relationship with Wu Guanzheng, the head of the CCDI (Central Commission for Discipline Inspection).<sup>395</sup> A well-known example of Hu's government's drive to wipe out corruption was the 2006 downfall of Shanghai's now ex-Party chief, Chen Liangyu<sup>396</sup>. Although Chen and many other high-level Party officials being rooted out for corruption are urban-based, their toppling is a warning to Party officials at all levels – including village, township

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<sup>392</sup> Lam, 2006, pp.81-82; 141

<sup>393</sup> Ibid, p.142

<sup>394</sup> Fewer officials benefit farmers, 2006

<sup>395</sup> Lam, 2006, p.49

<sup>396</sup> Chinese president delivers speech at anti-corruption session, 2006

and county levels – that the central government is serious about this issue. Unfortunately, old habits die hard, and it will not be an easy task to remove corruption completely from among the Party and government.

Regarding the reform of the administrative system, the response of China's citizens has been positive so far, at least according to official Chinese media. The *China Youth Daily* reports that the general public is happy that the burden is somewhat reduced and that the administration is becoming more efficient.<sup>397</sup> On the other hand, the reforms have also been met with “stiff resistance” from those officials whose positions have been cut. It is easy enough for laid-off central level officials to find alternative employment, but this is not the case for many grassroots-level officials.<sup>398</sup> Despite the painful process of restructuring and creating redundancies, this process is crucial for the increased efficiency of the rural administration.

While the administrative reforms may be effective in reducing local government expenditure on personnel, thus reducing peasant burdens, it remains to be seen whether the centre can effectively improve the quality of local leaders through these reforms. It needs to make certain that its mandates and policies are being effectively carried out by local authorities – something that has not been the case during much of the reform era. As one senior Party leader during the late stage of Jiang's rule said,

Modernization has led to the decentralization of decision-making and to an empowering of the lower-level officials in much of China. The system's decentralization makes the central level less relevant. It used to be that when the Party centre spoke, the people all listened and obeyed. That day is gone.<sup>399</sup>

### **Village elections**

Among the wide variety of attempts Hu's government is making to answer the peasants' discontent is the improvement of the village election system. The institution of competitive village elections was actually one of the central government's key responses to the elevated level of unrest in the countryside during Deng's time. These

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<sup>397</sup> Fewer officials benefit farmers, 2006

<sup>398</sup> Lam, 2006, p.142

<sup>399</sup> in Lewis and Xue, 2004, p.119

elections for village officials began in the mid-1980s<sup>400</sup> and the associated legislation, the Organic Law of Village Committees, or *cunweihui zuzhi fa*, appeared in draft form in 1987.<sup>401</sup> The law began to be more deeply implemented in 1998 by stipulating that one million villages would hold direct elections for their leaders, choosing from multiple candidates by secret ballot.<sup>402</sup> Under the law, villagers were to be able to elect their village leaders as well as the village committees.<sup>403</sup>

How are the village elections intended to reduce unrest in the countryside? They are intended to mobilise local pressure against officials who do not obey central government mandates and who act dishonestly. In this way, the central government hopes to achieve successful implementation of its policies while maintaining its power in the countryside. At the same time, according to Oi, “Village elections are a pressure valve to let peasants vent their dissatisfaction, but one meant to point the responsibility for continued poverty and poor leadership in villages away from the central authorities”.<sup>404</sup> That is, the institution of popularly elected village officials is supposed to shift more responsibility for rural affairs onto the village officials and onto peasants themselves, so that they have less legitimate reason to protest against both the local and the central government, and in this way maintaining stability in rural areas. The elections were also instituted to improve peasant-cadre relations,<sup>405</sup> which have been less than ideal during the reform era, as is evident in the increasing level of rural conflict. Brown writes that peasants seem to be “victims of the whims of party officials”.<sup>406</sup> By choosing their own local leaders through the elections, villagers are supposed to have a sense of participation in local affairs, and they are able to select the leaders they feel best represent their interests. Village elections are also intended to improve accountability among village officials by providing a greater degree of citizen oversight, and in this way lessen corruption.<sup>407</sup> In this way, it is hoped that rural conflict will lessen.

The institution of village elections has been successful to a certain extent. More voters are becoming active and the quality of elections has improved since the

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<sup>400</sup> Zweig, 1997, p.18

<sup>401</sup> Oi, 1999b, p.626

<sup>402</sup> Chi, 2000

<sup>403</sup> China to revise election law for farmers, 2006

<sup>404</sup> Oi, 1999b, p.626

<sup>405</sup> Zweig, 1997, p.18

<sup>406</sup> Brown, 2007, p.164

<sup>407</sup> Chi, 2000

early 1990s.<sup>408</sup> By 2004, 31 provinces, municipalities and autonomous regions in China had put together procedures for village committee elections.<sup>409</sup> By 2005, about 300,000 villages in 18 provinces had actually instituted village elections.<sup>410</sup> In some villages where elections have been held, spending by officials on behalf of the village has been more transparent.<sup>411</sup>

The elections have also had some limitations. One of the shortcomings of the election system is that so far it has only been instituted in the villages. Rural protests are often aimed at the township level of government, rather than at the village level.<sup>412</sup> Since township officials are not popularly elected (although peasants in villages *do* elect People's Congress deputies, who in turn elect township officials),<sup>413</sup> peasants have no say as to who is in power at this level. Thus the extent of peasant democracy so far has been somewhat limited and has not effectively eliminated rural conflict. Not only this, but while village officials are supposed to represent their villagers and listen to their concerns, at the same time their independence is limited as they also have to obey directives from above. In the words of William P. Alford, who is professor of law and director of East Asian Legal Studies at Harvard Law School, "village committees exist in large part to administer policies dictated from above more effectively."<sup>414</sup> Even though village elections enable peasants to have a small voice in local politics, they are still pitifully underrepresented in higher levels of the Party and government.<sup>415</sup>

What is more, village elections have not always prove to be completely democratic in nature, and interferences such as rigged voting, protectionism and enforced tax collection have rendered some village elections ineffective.<sup>416</sup> Some candidates have been known to buy votes through bribing villagers.<sup>417</sup> Reports have also spoken of the lack of competition in some village elections, as well as the absence of secrecy in balloting<sup>418</sup>. This kind of behaviour has only brought more corrupt and inefficient officials into power in the countryside. On top of this, the CCP

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<sup>408</sup> O'Brien, 2001, p.418

<sup>409</sup> China to further promote grass-roots democracy, 2004

<sup>410</sup> China to revise election law for farmers, 2006

<sup>411</sup> Oi and Rozelle in O'Brien, 2001, p.418

<sup>412</sup> So, 2007, p.561

<sup>413</sup> Chi, 2000

<sup>414</sup> In Chi, 2000

<sup>415</sup> Lam, 2006, p.85

<sup>416</sup> Yang in Oi, 2004, p.111

<sup>417</sup> Rural elections undermined by bribery, 2006

<sup>418</sup> O'Brien, 2001, pp.420-421

has a huge influence on the choice of village committee candidates, undermining the supposedly democratic and autonomous nature of the elections.<sup>419</sup>

Another weakness of the village election system is that it has not been implemented consistently throughout rural China. It has proved to be more popular in the coastal areas than in China's inland regions. This is due to a "stronger democratic awareness" in the more developed regions.<sup>420</sup> Unfortunately, it is the poorer, inland rural areas where change is most needed, but also where lack of resources and funding has prevented the kind of rapid development that other areas have seen in the past two to three decades. As low revenue and local government corruption are associated with each other, the inland regions have also seen the most widespread resistance from villagers against their local leaders, thus furthering their need for a stronger democratic movement.

Hu's government hopes to deepen rural reform by improving the effectiveness of village elections and the honesty and morality of village committee candidates. The Political Bureau of the CCP Central Committee has recognised the need for improved transparency in village elections,<sup>421</sup> although it is unclear how the government intends to accomplish this. Many observers from inside and outside China are also questioning whether the success of village elections will encourage the central government to institute similar direct elections at higher levels in order to improve the quality of the leadership and allow the general public a voice in the political selection process. At present, at the very top levels of the Party, there continues to be little accountability, and the transfer of leadership is still very much an elitist system that is dependent on personal ties and *guanxi* rather than being truly democratic.<sup>422</sup> Chi writes that there is a conflict between rising democratic awareness in the villages and the absence of democratic institutions at higher levels of government.<sup>423</sup> However, the current government has shown no intentions of instituting direct elections above the grassroots level.<sup>424</sup> This is because it intends to maintain and strengthen, not loosen, control of the lower levels of government through grassroots democracy.

### **What are the prospects for rural China?**

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<sup>419</sup> Chi, 2000

<sup>420</sup> China to revise election law for farmers, 2006

<sup>421</sup> China to further promote grass-roots democracy, 2004

<sup>422</sup> O'Brien, 2001, p.413

<sup>423</sup> Chi, 2000

<sup>424</sup> Lam, 2006, p.87

It is important to discuss not only how successful is Hu's government likely to be in restoring peace to the countryside, but also whether the current endeavours are enough to maintain the legitimacy of the CCP's reign in the eyes of China's masses. This study argues that although the policies and programmes being pursued by the current government may be extremely successful in improving the standard of living of China's rural citizens and considerably reducing their burdens, there are a number of reasons why their success in reducing rural conflict is likely to be somewhat limited.

For a start, many observers believe that an economic facelift in the countryside is insufficient to get to the root of rural unrest. There is no doubt that the Hu-Wen administration was on the right track when it shifted its policy to focus on social justice and equality. Oi believes that "Until the state institutes a viable long-term solution that provides villages and townships with an adequate level of financing, the provision of public goods will suffer and peasant burdens will be likely to re-emerge as a thorn in state-peasant relations in China".<sup>425</sup> China's leaders are attempting just that – to increase investment at the grassroots level in order to improve the relationship between the rural masses and their leaders. However, the goals of eliminating poverty and stimulating the rural economy do not address some of the other fundamental problems inherent in the countryside.

For example, the land tenure system remains intact, preventing peasants from owning their own farmland. Even though Hu's government is cracking down on unauthorised land transfers, this does not guarantee that peasants' land rights will become more secure. While privatisation is certainly not the only answer, the government needs to go deeper in its reforms to prevent further land seizures. Brandt, Huang, Guo and Rozelle believe that "political reforms at the local level are needed to provide the kinds of property rights a rapidly growing economy requires".<sup>426</sup> Essentially, this is a call for reforms that will provide farmers with more secure land rights – whether it be through privatisation, longer land tenure agreements, or more leak-proof land contracts – while taking control of the land from local officials, or at least giving these officials incentives not to misuse their control. The new Property Law does allow for longer land tenure agreements, but as mentioned earlier, its

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<sup>425</sup> Oi, 2004, p.155

<sup>426</sup> Brandt, Huang, Guo and Rozelle, 2002, p.97



success will depend on whether or not it is effectively enforced. Zhu and Li also point out that the law needs to be widely publicised, and the people's courts need to both make themselves accessible to farmers and to treat cases in an unbiased manner.<sup>427</sup>

Another shortcoming of the policies described above is that they do not guarantee local implementation of central government policies. A higher degree of accountability among local officials' behaviour and business dealings is necessary. There is little evidence that merely streamlining local government administration will effectively achieve this, nor will it be able to address the problem of corruption in the local government and Party apparatus successfully. The glitch here is that there is little separation between those who make the policies and those who implement them and supervise their implementation. The Party's ubiquitous presence pervades everything – the courts, democratic elections, and even its own auditing and supervisory bodies.

It seems that the current government wants to reduce rural conflict by stimulating the rural economy and by reforming the behaviour of individual local officials, but without effectively changing the problematic structures that are in place. Fan points out that while China's leaders speak about social harmony and putting people first, they also prioritise stability and social order.<sup>428</sup> This idea indicates that China's top leaders are attempting to achieve two goals simultaneously: they aim to reduce conflict and keep the people content, while at the same time they are intent on sustaining one-Party rule in China. In order to meet these two goals, the Party's strategy is to achieve social justice and improve the standard of living of China's citizens without political liberalisation. In previous years, the CCP sought to strengthen its own legitimacy as the sole ruling party by focusing on achieving national economic performance and propagating the theme of patriotism.<sup>429</sup> However, with such a large section of China's population disenfranchised and still struggling to make ends meet, such goals are no longer sufficient to ensure the people's faith in their leaders. Economic performance is still important, although the catchphrase being disseminated today is 'sustainable development'. Lam believes that "Hu and his Politburo colleagues seem convinced that the CCP might be able to prolong its mandate of heaven if it can successfully nurture a relatively prosperous, pro-status

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<sup>427</sup> Zhu and Li, 2007

<sup>428</sup> Fan, 2005

<sup>429</sup> Burns, 1999, p.594

quo middle class.”<sup>430</sup> In other words, comfortably well-off citizens will be happy citizens. While Lam may be right that Hu’s government does seek to care for the middle class, it also realises that the key to the CCP’s survival lies in addressing the needs of the nation’s peasants and migrant workers. Nurturing a middle class will not guarantee long term stability in China’s countryside. In the words of one writer: “Economic development cannot by itself imperceptibly eliminate or prevent political turmoil”.<sup>431</sup>

What, then, is needed? Many scholars believe that rather than merely streamlining the government administration and making efforts to raise the moral standard and efficiency of government and Party officials, deeper political reform is necessary. Eyferth, Ho and Vermeer believe that the good intentions of China’s top leaders are not enough. They state: “Without political reform resulting in greater transparency and accountability of local government and more public participation in politics there is little hope that corruptive trends will stop”.<sup>432</sup> Lam also questions the current administration’s ability to clean up the Party and government without instituting more democratic institutions and a system of checks and balances independent of the Party. He points out that the CCDI’s approach to tackling corruption is not much different from that of the Maoist regime – it remains merely a matter of emphasising political correctness and moral virtue.<sup>433</sup> These scholars argue that what is needed is more outlets for China’s rural citizens to seek amends for the injustices they have suffered. Brown argues that currently “the system seems ill-designed to cope in any meaningful way with the level of complaints now being raised against it”.<sup>434</sup> Up until the present day, these outlets for peasants to raise complaints have been few and far between, and the channels that do exist for peasants to express discontent are not independent from the CCP. The Party, however, seems unwilling to break this pattern, lest it undermine its monopoly on power.

The current administration does frequently refer to democracy, but its idea of democracy is *dangnei minzhu*, or “intra-party democracy.” This development is likely to bring a number of positive changes to the Chinese political system. David Shambaugh believes that “The goal is to create a dynamic party apparatus, rather than

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<sup>430</sup> Lam, 2006, p.75

<sup>431</sup> Anonymous, 1999, pp.132-133

<sup>432</sup> Eyferth, Ho and Vermeer, 2004, p.6

<sup>433</sup> Lam, 2006, pp.48-49

<sup>434</sup> Brown, 2007, p.162

an ossified and inflexible one.”<sup>435</sup> According to Chinese experts, developing *dangnei minzhu* is important for overall political restructuring and building “political civilization” in China. *Dangnei minzhu* allows for members to have a greater voice in the selection of cadres and the making of policy.<sup>436</sup> It is aimed at creating more transparent governance by allowing for more checks and balances within the system and an increased level of supervision by the people. However, these remain “Checks and balances with Chinese Characteristics”,<sup>437</sup> indicating that this kind of democracy by no means constitutes the development of civil society because it does not allow for more diverse political organisations, only greater diversity within the Communist Party itself. This continues to leave China’s rural citizens with no choice but to go through the Party-affiliated channels to voice their opinions and complaints. It is clear that at least in the near future, China’s dominant political party is unlikely to make itself vulnerable to relinquishing its monopoly on power.

Lewis and Xue’s opinion is that when it comes to reacting to the rising social pressures for political reform, China’s leaders have three choices: they can suppress such pressure, allow the problem of corruption to continue, or invite more open participation in political matters.<sup>438</sup> When Hu became the nation’s president in 2003, he proclaimed a commitment to “developing democracy and doing things according to the law.”<sup>439</sup> It is tempting to observe the central government’s preoccupation with village democracy and envisage the further expansion of direct elections at higher levels. This will not necessarily be the case, however, as has been discussed earlier. Oi points out that “China is a country riddled with policy contradictions. While it arrests dissidents, it also promotes democratic village elections and encourages peasants to attend village assembly meetings.”<sup>440</sup> Yongnian Zheng believes that while China’s future does involve democratisation, it first requires a process of state-building that can be considered part of political reform.<sup>441</sup> This opinion seems to line up with the excuse frequently used by China’s leaders for delaying the institution of higher-level direct elections: the situation of the village electoral system is still unsatisfactory, and that only after these grassroots elections are further improved will

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<sup>435</sup> in Zheng, 2007. *Communist reform broadens democracy*

<sup>436</sup> CPC promotes democracy by open elections, 2007

<sup>437</sup> Lam, 2006, pp.124-128

<sup>438</sup> Lewis and Xue, 2004, p.109

<sup>439</sup> In Lam, 2006, p.124

<sup>440</sup> Oi, 1999b, pp.627-628

<sup>441</sup> Zheng, 2006, p.2

China move on to higher-level elections.<sup>442</sup> And yet this appears to be a stalling technique to avoid more liberal political reform. Many scholars do not see liberal democratization and the development of civil society in China as inevitable processes. Burns writes that even though China's leaders have acknowledged the need for political reform since 1952, the idea of reform has never included the end of the Communist one-party rule. Rather, it has meant reform *inside* the existing Party structure, included efforts to improve the Party's efficiency through the restructuring of government departments and the reform of the civil service system.<sup>443</sup> It is likely that this kind of intra-Party reform will continue under Hu's leadership, although to predict more radical reform may be going too far. Lam believes that although Hu is concerned with corruption and inefficiency in the Party, he is quite comfortable with the idea of the CCP's monopoly on power and its ideological stance.<sup>444</sup> This suggests that political reform, in the form of a democratic multi-party system that many foreign observers have been speculating about, is not imminent.

Why are the top Party leaders so resistant to change in this respect? Without a doubt, they fear that to introduce Western-style liberal democracy including direct elections at all government and Party levels would ultimately threaten and undermine the CCP's monopoly on power. Lam writes that even though to most Chinese "communism has been terminally mothballed", Hu's generation of leaders remain committed to upholding the legitimacy of the Chinese Communist Party's reign.<sup>445</sup> Burns writes that "After 50 years of rule, the Party shows no more tolerance of opposition than it did in the 1950s, although the methods used to silence dissent may have changed somewhat."<sup>446</sup>

Can the Chinese Communist Party effectively achieve its two goals: addressing the nation's rural issues while at the same time maintaining its legitimacy in the eyes of the people? In the short term, the goals of sustainable development and social justice will win the approval of China's rural population, and the Party is likely to improve the livelihood of many peasants greatly, albeit over a number of years. However, even though the central government has so far proved competent to keep

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<sup>442</sup> Lam, 2006, p.116

<sup>443</sup> Burns, 1999, pp.585-586

<sup>444</sup> Lam, 2006, pp.34-35

<sup>445</sup> Lam, 2006, p.63

<sup>446</sup> Burns, 1999, p.583

rural unrest from threatening its dominance,<sup>447</sup> it has not been successful in eliminating the sources of the pressure for change. The government's measures to reduce rural conflict will most likely serve only as 'band-aid' solutions because they fail to address the deepest roots of social unrest described below.

Firstly, the central government has long failed to gain firm control of local officials, and is unlikely to succeed in the near future. At present, the benefits of ignoring or incorrectly executing central government regulations far outweigh the disadvantages in the eyes of some local cadres. There remain too many incentives for these cadres to act independently from the central government, and, for the most part, they do not fear the centre's retribution. Resorting to methods of terror and draconian social control techniques to bring local officials into line is not a viable option for the central government, as it would prove extremely unpopular with the masses. As long as the centre struggles to attain the compliance of local cadres and rooting out corruption among these cadres and their cronies, it will have trouble implementing its policies and programmes and will achieve only partial success.

Secondly, the huge socioeconomic equalities that China's people have experienced during the last three decades are in part the inevitable consequence of a developing market economy. While some regions, such as the eastern urban areas, were granted preferential policies and greater access to resources, trade and tax incentives, many of these regions also had natural advantages from the beginning, which gave them a head-start. Song points out that some of the greatest economic disparities in China are geographic.<sup>448</sup> Although some of these inequalities could have been avoided, a certain degree of inequality must be tolerated in the early stages of an economic transition such as China has been undergoing. Rozelle explains that "it may be that the lag time before the spillover effects of regionalized growth begin to take effect are longer than the period that has passed since the early reforms."<sup>449</sup> Unfortunately for the peasants, particularly those in inland areas, they are the ones who have been left behind in this process. This means that the central government must work very hard at helping them to catch up – although the process can only be expected to be slow. In the meantime, there is likely to remain a degree of resentment from the peasantry because of the persistence of inequality.

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<sup>447</sup> Doig, 2007, pp.30-31

<sup>448</sup> Song, 2005, p.6

<sup>449</sup> Rozelle, 1996, p.87

Finally, as the years progress, China's rural dissidents are becoming more assertive in voicing their opinions and grievances. At the same time, they are becoming more organised and, as a group, aware of their collective rights. Aggrieved peasants and migrants are geographically more capable of gathering and demonstrating in large numbers. The more organised their actions, and the greater the number of those protesting, the greater the threat of social instability and the greater the pressure on the government to institute deeper political reforms. While the government is equally capable of suppressing their protests or ignoring their demands, it cannot consistently disregard these pressures in the long term. At the same time, in order to preserve its own monopoly on power, the Party cannot afford to institute political reforms such as multi-party democracy that would eventuate in social turmoil or strengthen existing secession movements. In response to these pressures, the central government can only continue to 'strike a balance' so as to both preserve its rule and minimise social tensions.

## Conclusion

During the reign of Mao, despite the fact that the peasants had formed the Party's power base and so enabled the CCP's victory over the *Guomindang*, they were fundamentally exploited. While it initially appeared that the Party favoured the peasants during the period of land reform, any benefits they reaped were short-lived. Not only did the state extract large amounts of grain from the peasants at pitifully low prices in order to support urban industrialisation, but the peasants were also tied to the land, with the exception of certain periods when their labour force was taken advantage of in the cities. Furthermore, China's rural dwellers bore the brunt of the terrible famine immediately after the Great Leap Forward. While peasants were obviously mistreated in many ways, there was little in the way of open displays of dissent during this time.

Following Mao's rule, Deng Xiaoping's early reform period greatly improved the quality of life of large numbers of rural people; many were lifted from poverty, a small number grew rich quickly as rural entrepreneurs, and some were able to move to the cities as the migration policy was relaxed. However, the peasants did not stay the beneficiaries of reform for long. Deng's second round of reforms allowed the gap between the cities and the countryside to widen, and while the cities – in particular those along the east coast – saw sudden increases in growth and development, the peasants found that agricultural productivity in the countryside stagnated for the most part. Township and village enterprises initially flourished, but these also declined in later years. While a certain degree of inequality was an inevitable result of China's rapid economic growth,<sup>450</sup> its extent was increased by the failure of the central government to address the negative social consequences of reform. Those who were able to find employment in the cities were treated as an underclass as their agricultural *hukou* status prevented them from receiving equal access to social services and labour rights. Furthermore, farmers who remained in the countryside were subject to the high taxes, fees and levies demanded by local officials. Others had their land seized in the name of rural development, sometimes with little or no compensation. Corruption among local officials became rife. Many farmers grew angry because of the behaviour of their local leaders, and began to demonstrate their discontent.

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<sup>450</sup> Wong, 2006, p.10

These rural problems continued into Jiang's era, and while the central government under Deng and Jiang began to take some measures to improve the peasants' situation, these measures were largely ineffective, and rural-urban disparities grew increasingly perceptible. The fourth generation of leaders, led by Hu Jintao, has inherited China's rural problems. Their success in tackling these problems is now imperative, not only for the maintenance of social stability, but also for the survival of the CCP because of the discontent that has been fostered among the peasantry and rural migrants.

As yet, the peasants' unrest has been largely directed at local officials rather than the central government, and has been primarily unorganised. As a result, it has not yet posed a threat to the central government, and social instability has been limited to the rural areas. However, there is good reason to believe that if the central government fails to find effective solutions to China's rural problems, the rural population may begin to question the potency of its national leaders to govern justly and effectively. Furthermore, as peasants become geographically more connected to the cities and as they become increasingly able to communicate via technological means such as mobile phones and the internet, their protests are likely to become more organised and cohesive, posing a greater threat to the central government. If this situation emerges, the continued rule of the CCP may be at stake.

Throughout the CCP's reign, its leaders have worked unswervingly to uphold the Party's 'mandate of heaven.' The Party's relationship with the peasants is now a crucial factor in this endeavour. Hu's government believes that addressing the social injustices suffered by the peasants (as well as other disadvantaged social groups) will help to maintain social stability, ensure the people's contentment, and thus ensure the CCP's survival. The government's solution is to 'Build a Harmonious Socialist Society' by means of 'Scientific Development.' This involves a series of concrete policies and programmes to reduce rural-urban inequality, improve the sustainability of economic growth, address the issues surrounding migration and surplus labour, improve rural elections, increase the security of farmers' land tenure, reform the rural administrative system, and crack down on corruption within the Party and government.

Economically, if the centre is successful in ensuring sustainable development rather than heated GDP growth, it will be more capable of narrowing the rural-urban gap and, in this way, encouraging social stability in the short term. This will depend



largely on its ability to shift from export-and-fixed-interest-based growth to increased domestic consumption, particularly rural consumption. This is one of the current government's approaches to tackling the countryside's economic problems. The new policy focus also includes the abolition of the agricultural tax, higher prices paid for agricultural products, increased investment in agriculture, social services and infrastructure, and improving the efficiency and accountability of the rural administration. While China's leaders are heading in the right direction in terms of their policy focus, it is likely to take a considerable amount of time for these economic reforms to be successfully implemented. Wong asserts that "all development changes will take a long time to yield concrete results."<sup>451</sup> In the meantime, peasant discontent will continue. Furthermore, these measures are still a 'band-aid' solution to rural unrest, as economic development in itself is insufficient to address all the roots of social tension.

Socially, the current administration is committed to providing improved access to rural people's basic needs such as education and health care. The vast rural-urban disparities in the quality of and access to these social services have contributed to overall inequality. This applies not only to those living in the countryside, but also to rural migrants living in urban areas. China's current leaders have realised that it is vital to address these disparities in order to reduce social tension and create a 'harmonious society.' While the increased level of investment in rural social services is encouraging, it requires an enormous amount of money and will be successful if the investment can be sustained in the long term. Ensuring labour rights for rural migrants is also crucial for social stability, but up until now the government has struggled to enforce these rights among employers, who are sometimes more concerned with achieving their financial goals than paying their employees on time and providing them with insurance against work-related accidents. This represents yet another challenge for the current generation of leaders, and the situation is likely to take a long time to put right. The current government is now working to ensure that migrants' children have equal rights to education. The new labour contract law is one effort to improve labour rights, but the results remain to be seen.

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<sup>451</sup> Wong, 2006, p.iii

In the political realm, Hu and his supporters hope to demonstrate the CCP's transformation from a revolutionary party to an efficient governing party. In light of this, they are deeply concerned with the problem of corruption in the Party and government. Corruption is one of the chief roots of discontent among China's rural people. China's leaders are currently seeking to institute reforms to tackle this problem, although the extent of these reforms has so far been limited to reform inside the existing political apparatus – that is, within the Chinese Communist Party.

In terms of rural politics, the central government hopes to improve the effectiveness of the village election system. Because the Party has a tight foothold in village elections in many places, the democratic nature of these elections has frequently been undermined. Candidates have also been known to resort to bribery in order to win elections. As the central government has struggled to gain local cadres' total compliance in implementing the appropriate policies and procedures, it is likely that progress in improving rural elections will be slow. What is more, up until the present, the peasants' voice in political affairs has been limited to this grassroots level. They have little say in the workings of higher levels of rural government, despite the fact that it is often decisions made at the township level that affect their livelihood. It is unlikely, however, that the central government will establish direct elections beyond the village level, at least in the near future.

The current political reforms are not limited to local governments, but to all levels of the Party and government administration. Recently implemented administrative reforms are serving to streamline the Party and government and so increase the efficiency of governance, while intra-party democracy, or *dangnei minzhu*, is intended to eradicate corruption and give ordinary Party members a greater voice in the processes of policy making and selection of cadres. However, because the approach to fighting corruption does not involve systematic checks and balances through an agency independent of the CCP,<sup>452</sup> the government's success will likely be somewhat limited. This limitation will hinder the development of a 'harmonious society'. At the same time, the deepening of political reforms by taking steps toward western-style liberal democracy is not a risk that the current administration is likely to take.

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<sup>452</sup> Lam, 2006, p.49

While Hu's government is likely to have a certain degree of success in firing up the rural economy, improving the standard of living of China's rural citizens and migrants, and improving the efficiency of rural government administration, there is a danger that the current reforms will remain surface-level measures. It remains to be seen whether these measures will be sufficient to maintain the legitimacy of the CCP's rule in the eyes of China's rural people in the long term. At present, a number of obstacles remain. For a start, the central government has struggled to enforce its policies at the local level, and if it is unable to assert its control, this situation will likely continue. Since peasant demonstrations have primarily been due to local officials' non-compliance with central government policies, the persistence of this problem will likely mean the continuation of peasant unrest. Furthermore, there remains a lack of channels for the people to voice their complaints and discontent. As a result, those who have lodged complaints in a peaceful manner have in many cases been ignored, while those who have chosen to demonstrate more forcefully have often been suppressed. As long as the channels for expressing discontent remain limited in this way, peasants are likely to find alternative methods of showing their dissent. In light of these obstacles, the long term future of China's rural society remains uncertain. It can only be hoped that, in time, it will become 'harmonious.'

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