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**Class Differentiation in Rural China:
Dynamics of Accumulation, Commodification and State Intervention**

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ABSTRACT

This paper develops a classification of the emerging agrarian class positions in China today. Using an instrument based on rural households' combination of market positions in four markets – land, labour, means of production and product – I identify five agrarian classes: the capitalist employer class, the petty-bourgeois class of commercial farmers, two labouring classes of dual-employment households and wage workers, and subsistence peasants. This classification is then used as a heuristic device to organize the empirical analysis that examines how dynamics of agrarian change drive class differentiation in rural China. For the capitalist employer class, the analysis focuses on their diverse paths of accumulation; for the petty-bourgeois commercial farmers, their contingent resilience and tendencies of differentiation; and for the two classes of labour, the commodification of their subsistence. The state plays important but varying roles in all these processes.

Key words: class differentiation, accumulation, commodification, state intervention, capitalism, China

INTRODUCTION

This paper aims to conceptually develop a classification of the emerging agrarian class positions in China today through analysing the central dynamics of agrarian change that drive class differentiation – namely, accumulation of capital, commodification of subsistence, and the state's intervention in these two processes. Such a classification scheme, as a heuristic device, will be helpful in advancing the scholarship on China's agrarian change in at least three ways. First, the effort in formulating this classification will provide a summary account of the diverse dynamics of agrarian change and helps to identify key patterns of

accumulation and commodification that have emerged in the Chinese countryside. Second, such a classification demonstrates the effects of agrarian change on social differentiation, challenges the conventional view of an undifferentiated farming population, and provides a conceptual basis for bringing class analysis back into stratification research on rural China. Finally, any analysis of rural politics, social mobilization and social conflicts, which now all take place on this differentiated social terrain, will also benefit from such a mapping of class positions and preliminary analysis of their class interests and class relations.

Sociological research on the changing social structure in contemporary China in the past three decades has primarily focused on the impact of the economic transition on patterns of social inequalities and processes of social mobility. So (2003, 364) pointed out more than ten years ago that ‘there is little effort to analyze the present Chinese society from a class analysis viewpoint.’ This lacuna is particularly glaring in the studies of rural China. While scholars have noticed the differentiation of the once homogeneous rural society caused by waves of profound changes, no study has yet systematically examined the processes and outcomes of class differentiation in rural China and how these processes are driven by dynamics of agrarian change. So (2003), for example, in one of the rare exceptions that attempts a class analysis of stratification in China, points out the increasing class differentiation and conflicts in both rural and urban China, but offers no detailed analysis of rural class differentiation.

The existing literature on rural differentiation in China mostly approaches this issue from a sociological perspective that sees differentiation as distributional inequalities along some gradational scale of privilege or deprivation, be it income, education, power, or wealth. It focuses on two topics: the relative importance of entrepreneurship vis-a-vis political power in forming rural elites, and the growing importance of wage income in creating inequalities among the non-elite population. On the first issue, most works do not see entrepreneurship or

office-holding as class positions in the emerging social relations of production, but rather as changing patterns of incentives, opportunities, and rewards for individual characteristics created by new economic institutions (Nee 1996; Walder and Zhao 2006). On the rising importance of wage income in rural livelihoods, the literature focuses on how differential human capital endowments and ensuing different participation in wage jobs have created rising income inequalities (Khan and Riskin 1998; Parish et al. 1995; Walder 2002). The impact of such inequalities on stratification is seen as creating a gradational distribution of rural households in terms of household income.

Class – especially in the materialist sense as distinct positions in social relations of production and reproduction (Bernstein 1979, 430) – is entirely missing in all these quantitative, gradational analyses of inequality and stratification in rural China. What they fail to see is that, rather than just generating varying levels of incomes, entrepreneurial activities, wage employment, and family-based farming – in various forms and combinations – are forming new social relations of production, which differentiate the rural population into new structural positions in the rural economy – classes that have qualitatively different lived experiences and economic interests from each other and complex inter-relationships.

The burgeoning literature on agrarian change in contemporary China makes clear the relevance, and indeed necessity, of studying the class dynamics and outcomes of agrarian change. As the spread of capitalist forms of production in Chinese agriculture has accelerated in the past decade (Huang 2011; Huang et al. 2012; Zhang and Donaldson 2008), new relations of production and new types of producers have emerged (Zhang and Donaldson 2010). These works, focusing on how agricultural modernization gives rise to new types of producers, however, fall short in examining the full scope of dynamics of agrarian change that drive class differentiation and the effects of class differentiation on rural social structure. This study intends to fill that gap.

The complex dynamics that drive class differentiation are unleashed by broader processes of agrarian change that also include rural industrialization and rural-to-urban migration. The rise of capitalist forms of agriculture is only the most recent impetus added to this on-going process of agrarian transition. Capital accumulation in non-farm businesses and wage work by the rural population are tightly connected to the processes of accumulation and commodification in agriculture and central to rural class differentiation. Thus, an analysis of the dynamics of class differentiation and formation of new agrarian classes, which this study contributes to, needs to go beyond agricultural producers and look at how capitalist accumulation, wage work, and petty commodity production on both sides of the rural-urban and agricultural-industrial divisions are differentially combined within rural households.

In the following, I first develop an instrument that uses rural households' combination of market positions to empirically identify their class positions in social relations of production. Using this instrument to analyse qualitative case data collected from fieldwork and a literature review, I produce a classification scheme that comprises five agrarian classes: the capitalist employer class, the petty-bourgeois class of commercial farmers, two labouring classes of dual-employment households and wage workers, and a residual category of subsistence peasants. In the empirical analysis that ensues, for the capitalist employer class, I focus on the diverse dynamics of accumulation; for the petty bourgeoisie, on their tendencies of differentiation; and for the two classes of labour, on the commodification of their subsistence.

ANALYSING CLASS DIFFERENTIATION IN AGRARIAN CHANGE

The materialist theoretical perspective sees class differentiation in agrarian change as the result of the spread of capitalism into the countryside, which creates new social relations of production and new structural positions situated in such relations. There are different

views about what constitutes capitalism and how to observe the spread of capitalism in agriculture. This study follows a widely adopted view that sees the spread of capitalism as comprising two inter-related processes: the extension and intensification of commodity relations, especially with regard to labour and land, which involves changes in social-property relations; and, the subsumption of traditional producers in the circuit of capital, where they become market dependent and are subjected to the imperatives of market competition and improving productivity through developing the productive forces (Bernstein 2010; Brenner 1976; Wood 2002).

Contrary to some misinterpretations of the classical works of Lenin and Kautsky, this theoretical perspective does not proffer a pre-determined model of capitalist development and class differentiation in rural areas. Instead, the concrete processes of differentiation are understood as always shaped by the specific ways through which the two processes of capitalist development unfold. While all capitalist relations of production share common features, local political-economic conditions and socio-historical background create specificities in how commodity relations grow, how producers confront markets, and, as a result, the types of class positions and relations that emerge.

Within this broad theoretical perspective, to adapt to local specificities, researchers of class differentiation in various contexts have devised different analytical strategies and empirical instruments. Conceptually, most scholars focus on how the two processes of capitalist development create new class categories. In constructing the empirical instruments, most agree that the use of a single measure such as farm size is both theoretically flawed and empirically misleading (Oya 2004). Scholars therefore select different combinations of criteria, based on the availability of data and local specificities, to identify class positions.

In one of the most concentrated treatments of this topic, in the 'India debate', Patnaik (1976) proposed a labour exploitation index that focuses on how commodity relations

involving labour and land differentiate the rural population. The E ratio is defined as the ratio between a producer's net use of outside labour (including direct hiring of labour and indirect appropriation of labour through rent) and family labour days. In a later study (Patnaik 1988, 309), she further found that the labour exploitation index strongly correlates with differences across households in their patterns of market integration and competition, including level of capitalization in production, productivity, and proportion of marketed output. Among other contributions to the India debate, Bardhan (1982) develops an instrument highly similar to Patnaik's labour exploitation index that measures households' labour allocation across self-employment, wage work and labour hiring, but excluding land rental activities; Bharadwaj (1985) focuses instead on access to land and degree of integration into markets. In the Africa literature, Sender and Smith (1990) used a combination of purchased cultivated land, education, and a proxy for the labour exploitation index to identify differentiation among a sample of large farmers. In a study of a sample of large- and mid-scale farmers in Senegal, Oya (2004) combined an even wider set of criteria, including patterns of labour-use, land use, and surplus use, degree of capitalisation, and education. In the Latin American context, Deere and de Janvry (Deere 1990; Deere and de Janvry 1979) proposed a conceptual framework that focuses on the precise forms of surplus appropriation and used those to identify class positions. Their interest, however, is mainly in rural households' participation in multiple class relations and how that shapes the reproduction of households, rather than in the outcomes of differentiation.

In the Chinese context, the most famous attempt to identify agrarian classes is probably Mao's essay in 1933, where he applied Lenin's framework, which focuses on surplus appropriation through labour hiring and land rental, and identified five major classes in rural China (Mao 1991 [1933]). Rural China today is of course drastically different from the time when Mao was leading the struggling Communist Party in conducting land reforms

in the base areas of Jiangxi and Fujian. For a start, rural areas in southern China during Mao's time were dominated by a non-productive landlord class, and most land rentals were in the form of landlords' and rich peasants' rental to tenant farmers, rather than land leasing by capitalist farmers from smallholders, as is the case today.

What emerges from this summary is that, despite the obvious differences in all these instruments of class identification (in terms of dichotomous vs. continuous measures and relative importance given to specific criteria), a common set of practices has been identified as indicators of the rise of capitalist relations of productions and can, therefore, be measured and used in combination to identify emerging class positions. These include land leasing and purchasing, labour hiring or selling, marketing of outputs, and capital investment in means of production (i.e., capitalization). These activities are exactly what our theoretical understanding of the spread of capitalism as intensification of commodity relations and penetration of market imperatives would suggest takes place during agrarian change: access to land and labour now is realized through commodity relations, and market competition in sales of outputs drives capitalization in production to raise productivity.

Identifying Class Positions by Market Situations: An Analytical Approach

In this study, I adopt the same analytical focus on these four activities. But, in constructing an empirical instrument for classification, I measure these activities with qualitatively defined positions on four markets: leasing land (in or out) on land rental markets, hiring or selling labour on labour market, selling outputs on product markets, and finally, purchasing modern means of production on input markets. Rural households' combinations of positions in these four markets then form the basis of identifying their class positions. Class positions, understood here as distinct positions in social relations of production and reproduction, are determined by both property relations and market participation. While these

two dimensions are conceptually not reducible to each other, in the empirical cases I study here, differences in property relations always manifest in different types of market participation. The combination of market situations in a household therefore serves as a good instrument for empirically identifying class positions.

Using qualitative measures, compared to quantitative scales like the labour exploitation index, has its disadvantages. Qualitatively defined market positions only give us crude measures of households' participation in markets, while unable to identify differences in degree. I am limited to this choice here by the lack of statistical data, to which quantitative scales can be applied. But more importantly, defining class positions based on combinations of qualitatively defined market positions has important advantages that justify its use.

As suggested earlier, the key difference between the materialist conceptualization of social class and rural differentiation and the sociological, gradational alternative is that the former defines classes as qualitatively distinctive positions situated in social relations of production, while the latter sees classes as gradationally unequal positions along some quantitative distributions. Thus, to avoid slipping into a gradational analysis and producing a large – or even infinite number – of classes, in the end some judgement has to be made by the researcher to find cut-off points along the quantitative scale in order to identify a small number of qualitatively different class categories. In Patnaik's use of the labour exploitation index, for example, the line separating middle peasants from poor peasants is drawn in the following way: while they both sell labour, the latter sell more than their use of family labour but the former sell less (Patnaik 1976, A-85). One can therefore think of these scales as expressing qualitative differences in quantitative terms.

Furthermore, when quantitative scales are used to identify class positions, too much flexibility and fluidity can be created in the classification scheme, in the sense that households seem to be able to move relatively easily along a continuum of class

differentiation by, for example, leasing in more land, selling less labour, investing more in means of production while cutting down on consumption, and selling more products on markets – which can all lead to changes in the quantitative scale. This leaves the impression that whatever ‘classes’ identified along this continuum are only ‘tendencies’ (Oya 2004, 314), rather than well-formed structural positions. This can be a sensible approach in the particular context under study.

In contrast, a classification based on qualitative identification of combination of market situations highlights the structural aspect of rural class differentiation. For China’s case, I contend that agrarian change over the past three decades has progressed to the extent that relatively stable structural positions can be identified in the new social relations of production, now mediated mainly through commodity relations in market. Seeing class positions as based on combination of market situations, therefore, gives us a dialectical perspective in understanding class formation in agrarian change. On one hand, class positions are fluid, as both their incumbents’ ‘endowments’ can change and the market structure and institutions that condition people’s opportunities and experiences in markets can also change as a result of class struggles and state intervention. On the other, class positions can also become stable and ‘structured’, when stable institutional arrangements and distribution of economic resources and political power create patterned interactions on markets and ‘lock’ people into certain market situations. For example, unless there is a land redistribution or total revamp of state welfare programs, property-less rural residents are locked into a specific situation in the labour market: selling their labour power and hence subject to exploitation.

Once class positions are identified on the basis of market situations, as a heuristic device, such a classification that focuses on market situations can then direct our analytical attention to the dynamics that drive class differentiation through creating unequal market conditions and expanding market relations unevenly. For example, in order to understand the

market situation that proletarianized wage workers are in, we must examine the use of extra-economic means in primitive accumulation that creates the conditions for capital's exploitation of 'free' labour. The combination of market situations is used here both as an empirically observable proxy of class positions and manifestation of underlying class dynamics.

My analytical strategy in this study is therefore two-fold. First, to study the outcomes of class differentiation, I use households' combinations of market situations to classify them into class positions. And then, to analyse the dynamics that drive class differentiation, I treat markets as contested arenas of class relations and state intervention and examine how conditions of market exchange are created, commodity relations are expanded and resisted, and people are either constrained or enabled by their market positions.

In this study, I use the household as the unit of analysis. In the rural context, property, which is held by households, has always been more important than occupations, which individuals take, in determining class positions. At least in rural China's context, individuals' occupation in wage employment is closely bonded with property-based, petty commodity production of their households through a household division of labour. Therefore, instead of determining one's class position, an individual's occupation is in fact the result of a household allocation of labour, determined by the household's control over property – more specifically, whether the household has enough land and means of production to fully employ its labour under the prevailing technical conditions of production and generate returns comparable to wage work.

There are, however, two caveats when we use households as the unit of analysis. First, conceptually, a 'household' should be a unit of coordinated livelihood strategies and resource sharing without co-residence necessarily; but empirically, most observations are based on units of co-residence. In rural China's case, small family size, absence of polygamy, and the

family division practice (parents maintain co-residence with the eldest adult son, while other adult children, if any, form separate households) make the discrepancy between these two ways of identifying households minimal.² Second, property control in households is often unevenly distributed and surplus appropriation also takes place within households, both of which create intra-household differentiation between sexes and generations.³ Using households as the unit of analysis precludes us from investigating how members in the same households may occupy different class positions. Exposing this secondary dimension of class differentiation will require new data and a separate study.

IDENTIFYING CLASS POSITIONS IN RURAL CHINA

The premise of conducting a study of the outcomes and processes of class differentiation in rural China resulting from agrarian change is that capitalism has indeed spread in rural China. There is not, however, a consensus on this in the literature. Post (2008, 324), for example, argues that due to the absence of landed capital – the social-property relations that turn land into a commodity and make its accessible only through market exchange are still missing – and the continued dominance of non-capitalist forms of social labour in agriculture, ‘the Chinese countryside remains decidedly non-capitalist’, and, ‘not surprisingly, there is little social differentiation of the rural producers.’ Huang et al.’s (2012) finding that hired year-worker constitutes only three per cent of total labour input in Chinese agriculture may also suggest the absence of capitalism. Thus, before delving into empirical analysis, which I hope will make clear that such a view is no longer tenable, it is necessary to first quickly sketch out here how much capitalism has spread in Chinese agriculture.

² For an example of the varying definitions of households in a context of widespread polygyny, see Oya (2004).

³ In rural China, male and agnatic members are favored in controlling household property and surplus. For empirical studies on this, see Sargeson and Song (2010) and Jacka (2012).

An important starting point here is that, in agrarian transition, proletarianized ‘free’ wage labour is not the only way through which labour can be exploited by capital, and thus, wage employment in labour-hiring capitalist farming is not the only way that capitalism can spread in agriculture (Bernstein 2010). As mentioned earlier, the spread of commodity relations and market imperatives are the processes through which capitalism grows, which may involve development of wage labour, but can also proceed through a transformation of family-based farming. In China, agrarian capitalism grows mainly through this latter path.

In another study, Huang and Gao (2013) find that ‘family farms’ have greatly increased their levels of capitalization – through investments in both fixed asset and modern inputs – in the past 15 years, on a scale that equals the investments made by the state and far surpasses that by capitalist firms. Although Huang and Gao do not interpret it this way, their argument suggests that commercialized family farms in rural China are integrated in commodity relations and driven by capitalist markets, and have to increase capitalization in order to keep up with rising levels of labour productivity. Analysis in later parts of this paper will show the diverse ways through which ‘family farms’ have been transformed into capitalist producers – mainly through adopting the logic of accumulation and commodification rather than hiring wage labour.

Another key change that counters Post’s (2008) assessment is the rapid commodification of land in recent years. First, the passage of the Property Rights Law in 2007 and the second-round land contracting based on 30-year tenure both make rural land rights now more private and permanent. Then, aided by the rapid development of rental markets for farmland, construction land and other rural land, land has become increasingly commodified and accessible through market exchanges. This is the key change that paves the way for the entry of labour-hiring agribusiness companies, which obtain land through commodity relations that may be intermediated by local states. Later analysis will show that

even for family farmers, their entitlement to farmland based on village membership is turning into a market-mediated access, which they would part with when their expected combined returns on land-rental market and wage income exceed that from family farming. In summary, the conditions for studying class differentiation in a Chinese countryside that is ‘decidedly capitalist’ – to reverse Post (2008) – are ripe.

The aim of this paper is to examine the outcomes and dynamics of class differentiation in agrarian change, not to map out the comprehensive class structure in rural China and examine all its class relations. The study’s focus is on class positions in the agrarian economy, not rural class structure more generally, and therefore excludes non-agrarian classes, such as the professionals⁴, industrial and commercial employers, and non-agrarian petty bourgeoisie. Another actor that plays a crucial role in rural class formation is state cadres. For village-level ‘cadres’⁵, their political office-holding in itself, I argue, is no longer a basis for an elite class position. Political office-holding at the village level is part-time and lowly paid – monthly salaries are in the range of several hundreds of *yuan*, which is the worth of a few days’ work as an odd labour in many places. Village cadres typically are still among the local elite. That, however, is not the result of their office-holding; it is rather

⁴ The number of people in professional and managerial occupations (either as employees or self-employed) is growing in rural China, but remains small. This group comprises managerial and skilled employees in both rural firms and social agencies such as schools, clinics, and cultural stations, and self-employed professionals, such as medical practitioners running private clinics. This group’s higher level of education distinguishes them from the rest of the rural population. This sometimes puts them in a pivotal position to mediate the rural population’s interactions with outside forces and represent or mobilize the rural population in collective actions.

⁵ Strictly speaking, village-level cadres, including members of the Villagers’ Committee, who are elected by villagers, and the Party branch secretary and members are not state-employed cadres in the official administrative hierarchy. They are still commonly considered and referred to as ‘cadres’ (*ganbu*) by villagers and often act as agents of the state.

that their economic success leads to office-holding. A detailed discussion will follow; it suffices to say here that their class positions will be identified like others on the basis of their market situations, which are often shaped by their office-holding but not reducible to it.

Township-level cadres are in a different position. Their income from fulltime state employment, job security, privileged access to social benefits, and political power, which gives them control over much greater public resources than grassroots officeholders, all give them a secure position in the local elite. They are not, however, an agrarian class. They typically live and work in urbanized small towns (or commute from the county seat), hold urban household registration, and are increasingly recruited from college graduates (Ouyang 2011a). As agents of the state, they play important roles in rural class formation, and can be connected to the rural population, especially the local capitalist class, by the ‘thousand threads’ – family ties and clientelist ties, for example. While the role of the local state in agrarian change and class formation is a key theme in this study, a serious analysis of the class nature of the township-level state is beyond its scope.

Using the analytical approach proposed earlier, I identify five agrarian classes based on rural households’ combinations of positions in four markets, as summarized in Table 1.⁶ Although mathematically, more combinations of market situations are possible, these five class positions are both empirically regularly observed and theoretically meaningful – they fit the widely used five-class framework that originated from Lenin’s classical work (minus the landlord class). Similar to many of the studies reviewed earlier, I also exclude the credit market, due to both lack of data and the under-developed rural finance system in China.⁷

[INSERT TABLE 1 HERE.]

⁶ The labels ‘employers’, ‘farmers’, ‘workers’ and ‘peasants’ are shorthand for ‘employer households’ and so on.

⁷ I suspect that the addition of credit market into the framework, which is an urgent step future studies should take, will likely lead to intra-class differentiation rather than creating new class positions.

In the following empirical analysis of the characteristic market situations of each class and the dynamics that drive their differentiation, I focus on four central themes: the dynamics of accumulation, commodification of subsistence, role of the state, and contradictory tendencies of emerging structural stability and a state of flux in these class positions.

Empirical evidence for this analysis is drawn from both secondary literature and my own fieldwork observations over the past eight years across rural China. Aggregate-level statistical data, such as the national agricultural census, statistical yearbooks, and other national or sub-national surveys have proven of little use for this type of analysis. These data are either not collected or released at the household level, such as statistical yearbooks and agricultural census, or, when they are, their instruments are not fitted for collecting information on, for example, the highly fluid and informal activities in rural labour and land markets.⁸ Village case studies, another widely used method, are also problematic for this study. Dynamics of agrarian change and the resulting class differentiation tend to follow distinctive local paths, determined by the local political economy (Zhang 2013). Certain class positions, because of either their competitive relations in markets or the very different political-economic conditions that their existence depends on, often do not co-exist in the same village – for example, corporate farms and petty commodity producers. Thus, village case studies are not useful for either identifying heterogeneous class positions or discovering the diverse dynamics that drive differentiation, which can vary widely across localities.

The goals selected for this study and the limited data that are now available mean that what is presented in the following is a sketchy outline of the contours of class differentiation emerging in rural China and a summary account of key dynamics driving class differentiation. An elaborate analysis of all the dynamics for each class, a full empirical substantiation, or a

⁸ For a thorough discussion on how conventional survey data are poorly fitted for the task of measuring rural wage employment in developing countries, including China, see Oya and Pontara (2015).

quantitative estimate of the size of each class will all have to wait for future research. Finally, the ‘subsistence peasant’ class is identified here as a residual category. Households can be locked in such a position due to either labour disadvantages – lack of labour suitable for either wage work or agricultural commodity production – or severe underdevelopment of local markets, as is the case in remote, ethnic minority areas. This category will not be subjected to empirical analysis here.

ENTREPRENEURIAL FARMERS: THE CAPITALIST CLASS AND DYNAMICS OF ACCUMULATION

In the capitalist employer class, I include both the entrepreneurial farmers who have expanded to a scale that requires year-round labour hiring and top managers in agribusiness-founded, labour-hiring corporate farms, who, even though they may not be owners of the companies, act as ‘representatives of capitalist relations of production’ (Byres 2003).⁹ Both types of production are fully based on commodity relations, including hiring wage labour and leasing in land, and driven by the capitalist imperative of accumulation through expanded reproduction – appropriating labour surplus, re-investing profit in developing the productive forces, and expanding the scale of production.

Most arable land in rural China is collectively owned and has been contracted to rural households in small parcels. For farming operation to rise to a scale that warrants year-round labour hiring, it almost always requires acquisition of additional land. In most cases, this is done through rental arrangements with either individual households, village collectives, or, in

⁹ For these two groups, I only look at the household member, usually male, who occupies the employer position, and assume that other household members, even if they do not share the property control and production relations, at least share similar life chances determined by the primary member’s income. Among the five classes I identify, this is the only case where I only consider one household member’s economic activities.

rare cases where the land is state-owned, as in state farms, some state agencies. The development of land-rental markets is therefore a crucial condition for the rise of this class.¹⁰

The growth of capitalist employers is also strongly fuelled by state policies that favour large-scale and capitalized producers. Such policy support from the central level, which started in the late 1990s, initially targeted the so-called ‘dragon-head companies’ and provided financial incentives to spur their entry into scaled-up agricultural production (Huang 2011; Zhang and Donaldson 2008). In the mid-2000s, especially after the Farmers’ Specialized Cooperatives Law was passed in 2006, the central government also started to expand its financial support to farmers’ cooperatives as another vehicle of scaling up and modernizing agriculture. In practice, however, most studies find that agribusiness companies and entrepreneurial farmers have captured the bulk of state subsidies intended for cooperative – simply by re-branding themselves as ‘cooperatives’ – while authentic cooperatives formed by smaller producers are few and far between (Tong and Wen 2009; Yan and Chen 2013).

The central government’s most recent favoured target for receiving financial support is so-called ‘family farms’ (*jiating nongchang*), which was identified in the No.1 Central Policy Document of 2013, together with dragon-head companies and farmers’ cooperatives, as the third vehicle for promoting scaled-up agriculture. The ‘family farms’ favoured by central government are not scale-neutral. A Ministry of Agriculture survey in 2012 of 877,000 ‘family farms’ nation-wide finds that the average size of these farms is 200 mu, 27 times the average size of rural households’ allocated land, and on average each hires 1.68 non-family year-workers (Gao et al. 2014). This survey also provides an indication of the economic prowess of this class of entrepreneurial farmers: the land they cultivate constitutes

¹⁰ There is a large literature on the development of land-rental markets in rural China and its institution building process. See, for example, Ho and Lin (2003), Po (2008), and Zhang et al. (2004).

13.4 percent of all contracted farmland in the country.¹¹ Clearly, these ‘family farms’ are really entrepreneurial farms. They are ‘family’ farms in the sense of being *family-owned* or *family-managed*. They should be differentiated from what is commonly understood as smallholding, *family-worked* farms,¹² which are also a heterogeneous group, as discussed in the following two sections.

What distinguishes this class from the rest is of course their successful accumulation of capital, which enables them to lease in land, hire wage labour and invest in capitalization, but also compels them to reproduce on an expanded scale. For the corporate farms, their initial capital can come from a variety of sources, including local township-and-village enterprises (TVEs), urban state-owned firms (state-owned giants like SinoChem, COFCO and China Resources all have extensive investments and operations in agriculture), domestic private firms, and foreign firms. These forms of large corporate capital will not be further discussed here. I focus instead on smaller-scale private capital and divide them, by their different processes of entry and dynamics of accumulation, into two types: politically-assisted accumulation and accumulation from below.

Politically-assisted Accumulation

From the start of rural industrialization in the early 1980s, political power has played an important role in assisting the embourgeoisement of rural China’s entrepreneurial class. The social origin of rural China’s first wave of entrepreneurs, who started small businesses in

¹¹ This is definitely an underestimation, as many entrepreneurial farms do not meet the official criteria – which vary across localities – of ‘family farms’ and are excluded from the survey. These 877,000 entrepreneurial farms, assuming they are each managed by a single family, translate into merely 0.33 per cent of the total number of households in rural China. This estimate, however, is also a severe underestimation, as the total number of households, 268 million in 2012, is based on rural household registration and many are no longer in farming.

¹² These three terms of ‘family farm’ come from Bernstein (2010, 93).

the early 1980s, was once a topic of intense debate. But by the late 1990s, a consensus started to appear: cadres were adaptive to changes in the local economic structure. By taking advantage of their positional resources, rural cadres' families managed to maintain a consistent advantage in incomes across diverse local economic contexts through benefiting more from the most lucrative opportunities in the local economy, be it wage employment in inland regions or private entrepreneurship in coastal regions (Parish and Michelson 1996; Walder 2002).

Against this background, we have reasons to expect that political office-holding will continue to play a key role in assisting accumulation in capitalist agriculture, and rural cadres will have advantages in becoming capitalist farmers. The reality provides support to these hypotheses but also adds complexities. I suggest three mechanisms through which the dynamics of using political power and capitalizing on collective resources to assist capitalist accumulation in agriculture work.

Office-holding by invitation By the end of the 1990s, the first generation of rural cadres had largely successfully accomplished either the embourgeoisement (via private entrepreneurship) or de-agrarianization (via wage employment) of their families (Walder and Zhao 2006). What then followed was a period of intense tension between the rural population and local state, centred around the issue of excessive 'peasant burdens' (Bernstein and Lu 2000). The predation by local governments severely worsened cadre-mass relationship and made grassroots office-holding a highly difficult task and a job widely despised by people. For cadres who already managed to enter the new economic elite, it made little sense to continue office-holding, which was not only time-consuming but also exposed them to unnecessary risks – in cases where the tension erupted in riots, local cadres were routinely beaten and their properties damaged by protesting peasants (Bernstein and Lu 2000). What

ensued then was a bifurcation of the grassroots economic elite and officeholders, who had in early years often been the same.

On the eve of the rural tax reform that started in 2004, in many places the local economic elite had made a clear break with grassroots office-holding. Many rural areas had difficulties finding capable people to hold political offices; in some cases, cadre positions were ‘gangsterized’ and controlled by criminal elements (Xiao 2006). It is in this context of a debilitating deficit of grassroots leadership and all the problems in rural governance it created that a new trend was started by local governments in the more developed regions: recruiting private entrepreneurs into political office-holding at the village level through either appointing them as village party secretaries or nominating and supporting them in elections for village committee chairs. This began to reverse the bifurcation between the economic elite and political office-holding and set a model that was later adopted across the country. This program is now widely known as “village leadership to the rich” (*furen zhicun*) (He 2011a; Ouyang 2011b; Yan 2012).

The economic elite responded favourably to this initiative, especially in the more developed coastal provinces that have more entrepreneurs. In Zhejiang, where the “leadership to the rich” movement has made the most progress, a survey by the provincial Bureau of Civil Affairs finds that, by 2009, two thirds of villages in the province have members of the new entrepreneurial elite serving as either the village committee chair or party secretary (Ouyang 2011b). Another study in a county in Hebei finds that 35.5 per cent of the village party secretaries appointed between 1998 and 2004 came from the new economic elite (Yan 2012, 340).

‘Office-holding by invitation’ provides entrepreneurs three types of benefits. First, the collective resources that village leaders now control are mainly natural resources, such as land, minerals, water, and forests, which can be mobilized by entrepreneurs’ financial capital

and other social and political resources into the circuit of capital. For example, in the three villages that He (2011) studied in Fenghua, Zhejiang, the rich entrepreneurs recruited by the township government to become party secretaries all used their personal funds to engage in real estate development in the hope of raising land values. Second, acting both as village representatives in interacting with upper-level governments and agents helping upper-level governments implementing policies, village leaders are in more advantageous positions to benefit from state subsidies and other forms of fiscal transfer. Many subsidies, as mentioned above, are not scale or resource neutral. They are more meaningful to the economic elite, who, once becoming village leaders, can select their own businesses to receive these subsidies (Ouyang 2011b). Last, village leaders also get opportunities to cultivate personal relationships with government officials and pave their way into the local People's Congress or Political Consultative Conference, which provide them the political protection that can be crucial to their wealth and security (Yan 2012).

Office-holding by invitation has therefore initiated and facilitated the entry of private capital, which can be initially accumulated from either agricultural or non-agricultural ventures¹³, into agriculture. While I do not rule out the possibility of noble motives such as paying back to one's home village, the key motivation for entrepreneurs in taking grassroots offices is the opportunity to mobilize undervalued collective resources into the circuit of capital – this is also what both villagers and local governments often want, as it creates wage jobs and tax revenues. In practice, this often means capitalizing on land through real estate development or scaled-up commodity farming. These entrepreneurs-turned-village leaders then become the new capitalist farmers – or, if they were already, now on larger scales.

¹³ In Ouyang's (2011b) sample of 22 village leaders from one township in an inland province, four operate live-stock farms, only three are ordinary farmers, while the rest run non-farm businesses.

Ouyang's (2011b) example of the owner of a pig farm illustrates this process. After becoming the village party secretary, his pig farm was prioritized by the township government in receiving subsidies for purchasing sows and feeds, selected as the township's 'star enterprise', and included in the cooperative that the township had formed to benefit from all the subsidies there. His farm also expanded three times bigger by taking collective land.

We should note that both the backgrounds of these 'invited' cadres and their economic pursuits after taking office are diverse. Some, like the case above, were already entrepreneurial farmers, but expanded their accumulation *with the help* of office-holding; others were industrial entrepreneurs who then engaged in real estate development or industrial production (which can be a small hydro-electrical power station, a lumber mill, a cement factory, and so on). What is important for our analysis is that 'office-holding by invitation' opens a door that channels private capital into capitalist farming; and once the operation starts, its accumulation is helped by advantages that come with office-holding.

Another importance of this development is to rural differentiation. Now that recruiting members from the economic elite into grassroots leadership positions has become a key principle in local Party-building efforts, and personal economic success is almost an eligibility requirement for village-level office-holding (Ouyang 2011b; Yan 2012), the bifurcation of the elite between political officeholders and entrepreneurs that once existed in the late 1990s is rapidly coming to an end. In many rural areas, the grassroots-level state cadres are no longer a separate class, but practically one and the same with the local capitalist class – be it agricultural or non-agricultural.

Cashing in on political connections Office-holding by invitation is just a specific type of a more general form. Without involving office-holding, political power can also be mobilized through various types of social ties to assist accumulation in capitalist farming

through either taking control of collective resources or gaining access to political privileges such as public funds. In doing so, without requiring previously accumulated capital, political power can seemingly ‘create’ capital accumulation out of thin air by, to use the parlance of mainstream economists in today’s China, ‘turning assets into capital’.

The most important ‘assets’ in rural China are of course collectively owned land-based resources, which are rapidly being turned into capital by local governments in a frenzy of ‘courting businesses and attracting investment’ (*zhaoshang yinzi*). The fiscal conditions and bureaucratic institutions that create local governments’ (county and township levels) heavy dependence on business investments from outside are well studied and will not be elaborated here.¹⁴ What this has created is an environment in which, when someone came with just an alleged intention to invest or a perceived possible capability to invest even without any clear intention, the local government will cajole, persuade, and help them to make the investment happen.¹⁵ To sweeten the deals, local governments routinely grant potential investors tax breaks, privileged access to bank loans and government subsidies, and discounted access to collective resources.

In Guo’s (2011) study of how collectively owned forestland is turned into capital accumulation in a township in Hubei province, a new private company was formed by two businessmen in the nearby city as a vehicle to ‘invest’ in capitalist agriculture. The company claimed that it would invest 100 million *yuan* – which just happened to be the annual quota of investment that the township needed to fulfil – to build an agricultural park (for the production of livestock, fruits, and landscape trees). The company’s registered capital,

¹⁴ See, for example, Kennedy (2007), Ouyang (2011a), and Smith (2010).

¹⁵ Local officials have direct financial stakes in such investments, as they either gain a commission from realized investment or forfeit their deposit with the government if they fail to meet a certain target (Guo 2011; Ouyang 2011a).

however, was only five million *yuan* (even how much of that was really theirs is questionable). But their alleged intention and perceived ability to invest was enough to get the attention of both the township and county governments and their determined support. With the newly cultivated political connections and a lot of arm-twisting by local thugs they hired, in the span of just one year, the company managed to obtain from individual households 20-year leases on thousands of *mu* of forestland at low prices. It was these newly acquired use rights of forestland that then became the company's real capital. It then leveraged these land rights as collaterals to obtain bank loans and to apply for government subsidies earmarked under the province's 'Sloping land development' project. Only after the infusion of capital from bank loans and government subsidies, was the company then able to start hiring labour, buying means of production, and operating the agricultural park.

The five million yuan the company started with would never have become capital, had the company not been able to leverage its political connections to obtain land rights with that money. Once the money took the form of land rights, political power again was mobilized to get additional capital infusion from bank loans and state subsidies, which then kick-started the circuit of accumulation through expanded reproduction.

Many similar cases have been observed elsewhere (Ouyang 2011a). For all these cases, accumulation from capitalist farming could only start after collective resources, typically land-based, or public funds in the form of governments' scale-based agriculture subsidies – but typically both – are turned into capital; and extra-economic power is the catalyst that makes the process of commodification and capitalization roll. In this sense, this process resembles what David Harvey (2003) describes as 'accumulation by dispossession'.

Turning cadres into entrepreneurs

In the two previous cases, political power assists outside entrepreneurs to gain access to either collectively owned resources or public funds

and use these in accumulation. This political power and logic of accumulation can also be harnessed by incumbent grassroots cadres indigenous to villages, and this is a widely observed pattern across rural China. In my own fieldwork, I have seen cases in Anning county, Yunnan, where a village chief's son-in-law leased hundreds of mu of sloping land in that village, which had previously been classified as wasteland, to build a labour-hiring commercial orchard; in Pinghe county, Fujian, where the village party secretary and other cadre families contracted all the village's forestland to grow eucalyptus trees to supply to a paper mill; and in some state farms in Heilongjiang, where cadres used the state farms' resources to drain wetland and developed it into large-scale mechanized rice farms.

In all these cases, the land involved is not farmland, which would be allocated to village households under greater egalitarian constraints. It is with these un-allocated, publicly owned 'wastelands' – forestland, wetland, grassland and sloping land – that cadres have more privileged access and greater flexibility of disposal. Other rural households are excluded from this because families of village cadres and their relatives had both the foresight and the capital to contract from villages or rent from other households all 'wastelands'. Chen's (2012) study of navel orange production in a county in southern Jiangxi reveals the same pattern of differentiation among farming households, whose access to forestland varies greatly. Some, deterred by the high risks in this new market or high entry costs, rented out all their forestland and chose to pursue wage work; others – mostly cadre families under the prodding of the county government, which spearheaded the introduction of this new crop – rented in forestland and became labour-hiring capitalist farmers.

Although there are certainly cadres who simply abused their political power and took over collective resources in a primitive-accumulation fashion, what is described above seems to be a more general phenomenon and has a different implication. It shows that with the positional advantages they legitimately gain from office-holding – both their power as the

caretakers and managers of collective resources and their access and sensitivity to policy information and market trends – cadres can achieve accumulation based on privileged control over public resources without abusing official power, or, put differently, without resorting to extra-economic means. In such cases, the transformation of public resources into private capital does not go through the contentious ‘primitive accumulation’ Marx described, but proceeds in a more ‘voluntaristic’, market-based type of commodification.

Accumulation from Below

In rural China, one’s ability to lease in land on the land market is a crucial pre-condition for expanding to the scale of a labour-hiring entrepreneurial farmer. On a rationalized land market with arm’s-length transactions, money is virtually all one needs to be in that position. But land rental markets in rural China often remain deeply embedded in local, particularistic social ties, and are thus not easily accessible to outsiders.¹⁶ Studies find that, on one hand, human capital variables only explain a small portion of the variance in the amount of leased-in land (Zhang et al. 2004); on the other, most land rental transactions occur within small ‘villager groups’ and among relatives, friends, and kin members, and are typically informal, rarely involving contracts (Yang 2012; Zang 2012). In this sense, these land rentals are only ‘market-like’ or quasi-market.

This suggests a unique set of dynamics that lead to differentiation in land-rental market: the possibility of capitalist land leasing is only accessible on the basis of certain social characteristics, such as extensive and strong social ties and high social standing in the community. The presence of these social barriers to land leasing, which is particularly relevant in the early stages of China’s agrarian transition, creates a pattern of differentiation

¹⁶ This is also why outside companies like the earlier example in Hubei need to mobilize political connections with local cadres to help leasing in land.

in which expanded-scale entrepreneurial farming was only a viable strategy for a small group of households in any given village.¹⁷

Another important condition for a household to operate a scaled-up, labour-hiring farm is the possession of an exclusive productivity premium.¹⁸ This premium can be based on either superior technical conditions of production (made possible by a higher level of capitalization, which of course requires greater capital endowment) or superior skills. It is only on the basis of such a productivity premium that the entrepreneurial farmer can then either produce a crop with higher returns while others cannot, or produce the same crop more productively so that they can afford to pay competitive rents. Otherwise, without such a differentiation in productivity, there would not be sufficient differentiation across households in their resource allocation decisions that gives rise to wage labour for hire and, more crucially, land for rent.

Two examples help to illustrate this. When I visited his village in Yunnan province's Chenggong county in 2007, Mr. Hong leased in nearly 20 *mu* of farmland from households in neighbouring villages and regularly hired seven to ten wage workers in his profitable production of high-value vegetables. In his early 50s, he had farmed for his entire adult life and initially learned how to grow vegetables as a temporary hired hand at another's farm. Over the years, he had gained enough know-how and experience that enabled him – and a few other households in his village – to venture into growing more skill-intensive and high-value varieties such as Italian lettuce. Mr. Hong and other entrepreneurial farmers in his village enjoyed a skill premium that prevented others in the surrounding areas from entering this market segment. In fact, those households were willing to rent out their land to Mr. Hong

¹⁷ The presence of social barriers also means that land rental arrangements were relatively stable despite the infrequent use of long-term leases, because there were few competitors.

¹⁸ This is probably a sufficient but not a necessary condition.

on five-year leases and work as wage labourers so that they could learn the skills and start growing vegetables – at least cheaper varieties such as cabbage – on their own later.

Mr. Jia is one of the largest rice farmers in Sichuan province. When I visited him in 2014, his scale has expanded to over 3000 mu of irrigated rice paddies in an area where the average household farm is below three mu. His operation is highly mechanized; he has invested over one million *yuan* in machinery and built a 1,000m² centralized facility for incubation and storage. He hires about 20 workers year-round and over 200 during peak seasons. He claims that what make his mechanized rice farm successful while those run by outside capital have failed are the skills he has accumulated from nearly 30 years of farming experience. By knowing the optimal timing and amount of fertilizer and pesticide application, he can achieve higher yields at significantly lower costs than his competitors – who are other large-scale, capitalized producers.¹⁹ It is this skill premium and the resulting market advantage that has allowed him to outperform his competitors and scale up rapidly.

This productivity-based route of ‘accumulation from below’ represents a conceptually distinct dynamic of accumulation. In empirical analysis, however, this may not always be separable from politically assisted accumulation. Since both the social capital and productivity premium that are essential for accumulation from below are also the characteristics required for office-holding (Xiao 2006), the two dynamics of accumulation can lead to the same differentiation outcome: the class of ‘indigenous’ capitalist farmers in any given village is probably dominated by cadre households and their relatives.²⁰ A possible method to identify a cadre-entrepreneur’s path of accumulation in empirical analysis is by

¹⁹ This area has a thriving liquor-manufacturing industry that offers abundant wage jobs. Rural households have largely abandoned small-scale rice farming using family labour, a development discussed later.

²⁰ Mr. Hong, the vegetable farmer, was a former village Party secretary; Mr. Jia never had office-holding experience.

looking at the type of land acquisition. If the newly acquired land is farmland initially allocated to households, to which cadres' positional power does not give them privileged access, then that is more likely to be acquired by using social capital and productivity premium.

The relationship between these two paths of accumulation is dynamic. Two recent developments, both involving the strong hand of the state, are undermining the viability of 'accumulation from below'. First, as local states build new regional platforms to speed up land-rental transfers,²¹ the local social barriers that once favoured indigenous entrepreneurial farmers are being cleared. On the larger-scale and more disembedded market, indigenous entrepreneurs are in a disadvantaged position vis-à-vis outside capital, which is both bigger and more able to mobilize higher-level political power. Second, the scale-biased agricultural subsidies provided by both central and local governments are undermining indigenous entrepreneurs' productivity premium. By qualifying for greater subsidies, bigger-scale capitalist farms, which include both corporate-invested farms and those formed through politically assisted accumulation, can neutralize or even reverse the productivity premium that indigenous entrepreneurs once enjoyed.

COMMERCIAL FARMERS: THE AGRARIAN PETTY BOURGEOISIE AND TENDENCIES OF DIFFERENTIATION

The key difference of commercial farmers from capitalist employers is that they rely on their own labour and family-owned means of production to operate 'family-worked' farms. At the same time, their full market integration and market dependence separates them from

²¹ Many municipalities, including Chengdu, Wuhan, Chongqing and Tianjin, have established 'integrated rural property rights exchanges', where households can list their contracted land to be leased to any bidder. The exact mechanisms and impacts of these new institutional platforms are a topic that urgently needs investigation.

the traditional subsistence peasants.²² The term ‘petty commodity producer’ summarizes both their family-based small scale and their integration in commodity relations.²³

Commercial farmers in China, especially those in ‘new agriculture’, can rely entirely on their allocated household land without participating in land-rental markets; but those in old agriculture typically need to lease in land, as in most areas allocated household land is too small to provide full employment to the family in low-value and low-labour intensity old agriculture.²⁴ But even without engaging in actual rental activities, the fact that land rights have become a commodity means that their relationship with allocated household land has been commodified. Initial access to farmland was still granted as an entitlement of village membership; but now that the state has made land reallocations by collective authorities illegal, rural households’ relationship with their allocated land during their 30-year lease tenure has been turned into an economic relationship: they can part with it or expand it through economic means and only economic means.²⁵ Their social reproduction as

²² For a conceptual discussion on the difference between petty/simple commodity producers and peasants in the Chinese context, see Zhang and Donaldson (2010).

²³ In the Chinese literature, this group has been referred to as the ‘middle farmers/peasants’ (He 2011b; Yang 2012). I eschew this term for two reasons. First, it may unnecessarily invoke the political connotations associated with it by the Chinese Communist Party’s class labelling during the revolution and socialist periods. Second, ‘middle’ is a vague term that is primarily identified on scale – a problematic instrument for classifying rural producers. It masks possible differentiation among producers farming on a similar scale of landholding.

²⁴ I borrow the terms from Huang and Gao (2013). ‘New agriculture’ refers to that of higher-value products that are both more labour-intensive and capital-intensive, including vegetables, fruits, meats, poultry, fish, eggs and milk; whereas ‘old agriculture’ refers to the farming of grains, oil crops and cotton.

²⁵ Land reallocations by the collective authority, in contrast, were made often for non-economic reasons such as demographic changes and egalitarian concerns. In practice, some villages still periodically reallocate land across households for egalitarian purposes, defying the central decree (Kong and Unger 2013). Land expropriation by the state is another non-economic change.

commercial farmers – namely, the reproduction of the conditions of commercial production, including their hold on allocated household land – has now become market-dependent: if they are not productive enough in commodity production, then using household land in family farming becomes a suboptimal choice than leasing it out for rent and working for wage income. To ensure that their productivity is up to the market standard, they are also compelled to raise the level of capitalization through investing in modern means of production and hiring seasonal wage labour – for example, during harvest seasons to meet the time constraints imposed by merchants.

In fact, their success in raising their labour productivity – either through expanding farm size or increasing capitalization – is the key that separates this class of petty bourgeoisie from the labouring classes discussed later: they have raised their productivity to a level that enables full gainful employment of household labour in petty commodity production so that they can eschew selling labour for wage income. This raised level of capitalization – realized through participation in markets for means of production – is also a key empirical index that can be used to identify petty commodity producers: I have seen coffee growers in Pu'er, Yunnan, who purchased machines to clean, sort and crush coffee beans, vegetable growers in Shandong who spent tens of thousands of yuan to build half-underground weather-controlled greenhouses equipped with mechanized curtain pullers, and kiwi growers in Pujiang, Sichuan, who invested over 100,00 yuan in cold-storage facility to store their fruits for off-season markets.

Contingent Resilience and Tendencies of Differentiation

Commercial farmers' market integration can, on one hand, put them in advantageous positions to reap the benefits of markets, but, on the other, also expose them to the compulsions of market competition, which then creates the tendencies of differentiation

among them. In fact, commercial farmer themselves are often the result of a differentiation process. The inability to bear heightened market risks or to weather price fluctuations, indebtedness created by rising levels of capitalization, changes in family labour supply, among other things, can all drive some households out of commercial farming or prevent some from entering in the first place. These households then provide the land and labour for those who can better meet the market challenges and enjoy the possibility of accumulation.

These tendencies to differentiation can be moderated or arrested under certain conditions. As many have argued, capitalist production only emerges in agriculture when it can gain a productivity premium compared to petty production through changing the technical conditions of production – by whatever means (Patnaik 1979). The viability of petty commodity production can become stable, but this is contingent on the persistence of conditions that prevent capitalist production from gaining a premium in productivity.

In rural China, a typical scenario in which such conditions become present is when a low entry cost, in terms of technical, capital and labour requirements in production, allows a large number of local households to enter the commercial production of some ‘new agriculture’ crops, which then dries up the land supply available for capitalist production. This also requires both a relatively equal distribution of initial endowment and some conditions, such as the presence of state agencies, that make the technical conditions of production stay relatively equal across all producers.

The much studied case of the thriving commercial vegetable farming in Shouguang county of Shandong province is a good example. In the late 1980s, the Party secretary of Sanyuanzhu village, Mr. Wang Leyi, developed the technology of temperature-controlled greenhouses for year-round vegetable production. The county government then organized study trips to Sanyuanzhu village and sent technicians out all over the county to help disseminate the technology to farmers free of charge. The county government also built a

vegetable wholesale market for local farmers to sell their vegetables. Easy access to market and free dissemination of production technology equalized the conditions of production across households and lowered the entry cost to the extent that now 80 per cent of family farms in the county specialize in commercial vegetable farming, using 300,000 temperature-controlled greenhouses covering 53,000 hectares of land (Huang 2011).

The maintenance and reproduction of these conditions is, however, highly difficult. They can be undermined by a host of forces, including technological development, state intervention, and growing power of capital in upstream and downstream segments; once that happens, tendencies to differentiation are unleashed.

First, as market competition compels commercial farmers to continuously improve their productivity, they are put on a treadmill of technological upgrading. When they repeatedly adopt modern, industrially produced new inputs, implements and technical methods to replace those they previously had control over – a classic case of appropriationism (Goodman et al. 1987) – they gradually undermine the conditions of their petty bourgeois ‘independence’ by losing control over means of production to the agro- and industrial capital that dominates the upstream segments.

Dong (2012) documents this process in her study of the most recent phase in the evolution of Shouguang’s vegetable farming – the country’s most widely known model of successful commercial farming. When greenhouse vegetable production first started around 1990, farmers relied on manual labour to build the greenhouses, each of which took four men half a month to build, but cost only 1,000 yuan; they grew the same traditional varieties of vegetables inside and outside the greenhouses, and mainly used pig manure as fertilizer, which was produced from their own or other villagers’ small backyard pig farms.

But today, using motorized equipment and hiring professional builders, it takes a few days to build a greenhouse, but costs about 80,000 yuan. Such high cost can only be recouped

from growing high-value vegetable varieties – those produce higher yields, are both resistant to farm chemicals and pests, have the desirable size, shape and colour and high uniformity, and are durable enough to sustain long storage and transportation. These all mean one thing: patented varieties from foreign agro-technology companies, which have congregated in Shouguang as the beachhead to launch their entry into the Chinese market. Some companies have also acquired land locally to build seedling farms so that they sell seedlings rather than seeds to farmers in order to protect their intellectual properties and reap higher profits. The cost of these patented seedlings can be 20 times that of local, publicly available varieties; but 80 per cent of farmers in the village under study choose the former. Traditional pest-control practices that are biologically based but more labour consuming have all been replaced by the use of chemical pesticides, some of which are highly toxic and banned by the state but easily available on the local black market. The use of pig manure, which requires three days' work by two adults to apply to a 70-meter-long greenhouse, is entirely gone and replaced by chemical fertilizer, which takes only three hours to apply in the same greenhouse. Wage rates have risen too from 30 yuan per day for an adult man to 200 yuan.

Dong's (2012) study also documents two clear impacts of all these changes on the once thriving agrarian petty bourgeoisie in Shouguang: increasing differentiation and rising challenges of social reproduction. On one hand, the declining profitability of vegetable farming has driven some former farmers into the more profitable service works connected with vegetable farming, such as transportation, input sales, wholesale distribution, and technical services. The remaining farmers, who are in fact stuck in farming by their lack of capital or skill, expand their scale and become more reliant on labour-saving technologies. At the same time, the younger generation is abandoning farming in pursuit of urban lifestyles, even if that means wage work, while the current generation of commercial farmers in their 40s and 50s face increasing difficulties in reproducing their own labour – their health has

paid a heavy price for working under punishing conditions (heavy concentration of chemicals in the air, high temperature and humidity) for two decades.

Huang's article in this issue provides a vivid account of a similar case. Commercial farmers' pursuit of technical upgrading in shrimp aquaculture brought in exacerbated biological risks inherent to these technologies. Eventually, this led to the total collapse of household-base petty production, as the required technical conditions of production finally surpassed the capability of household producers. Agribusiness then stepped in and hired former commercial farmers as wage workers.

Second, the growing dominance of merchant capital in the output market can have a similar squeezing effect of on commercial farmers' social reproduction. Merchant capital can change the terms of exchange to the detriment of commercial farmers (Huang 2012). Furthermore, once it becomes oligopolistic, it can also change its relationship with direct producers by forming, for example, contract-farming arrangements that reduce farmers' control over both means of production and the production process to the extent that commercial farmers become 'labourers in disguise'.²⁶

Finally, state interventions can also undermine the viability of the petty bourgeoisie. In Shouguang's case, for example, the equal and easy access to markets that was crucial for the initial take-off of petty commodity farming was provided by the local state, which 'brought market to farmers' by building a wholesale market in the county. When the state chose different strategies – for example, supporting agribusiness companies through the 'company + base + farmers' model (Zhang 2013) – the outcome was very different. More recently, prodded by the central government to further scale up agricultural production, the

²⁶ I have elaborated on this thesis elsewhere (Zhang 2012). In this paper, I see contract farming not as a distinct class position, but as an institutional arrangement that can take place between agribusinesses and various classes of agrarian producers.

local state is pushing hard on land transfer and tilting subsidies to bigger producers. The detrimental impact on commercial farms is even worse than that on the ‘from-below’ capitalist farmers discussed earlier (He 2011b).

The discussion above raises four issues in our understanding of this class of petty bourgeois commercial farmers. First, they are an important empirical reality and constitute a sizable population among China’s agriculturalists today. They are of course unevenly distributed and tend to have bigger presences in peri-urban areas (Zhang 2013). Second, they are subjected to strong tendencies of differentiation as a result of their full integration into commodity relations and market dependence. Third, when their position is stable and the tendencies of differentiation are arrested, that stability is highly dependent on particular political-economic conditions. Thus, they are probably best characterised as having a ‘contingent resilience’, rather than some essentialised and intrinsic advantages vis-à-vis capitalist producers. Fourth, this contingent resilience means that they probably have limited chances to play the role of ‘backbone of the rural community’, as some expect (He 2011b; Yang 2012). This is not only because they are often in an unstable and transient position under constant pressure of differentiation, but also because they occupy an inherently ‘contradictory class position’ (Wright 1985) and, as result, their class alliances and interest articulation will be both shifting and contradictory.

DUAL-EMPLOYMENT HOUSEHOLDS AND WAGE WORKERS: THE CLASSES OF LABOUR AND COMMODIFICATION OF SUBSISTENCE

Dual-employment Households

Dual-employment households combine petty commodity production using family labour and land and wage work. The fact that they have to sell labour is an indication of their

inability to either expand scale or raise productivity in their petty commodity production to provide full employment of family labour on a rate comparable to wage income. Some of these households are therefore former petty-bourgeois commercial farmers who have been forced to diversify into wage labour by the various forces of differentiation discussed above, while others never reached the petty bourgeois position due to high entry costs.²⁷

The deep penetration of wage work and wage income into rural livelihoods in China has been extensively documented (Khan and Riskin 1998; Walder 2002). In official statistics, wage income as a proportion of rural per capita income has risen from 19 per cent in 1985 to 41 per cent in 2010, while income from household-based production (including farming) only accounted for 48 per cent in 2010 (NBS 2011). In fact, wage employment spearheaded commodification more generally: even before de-collectivization reforms started, hired wage labour was already used in agriculture in Guangdong (Chan et al. 1984). Then, the following three decades of rural industrialization and massive rural-to-urban migration pulled hundreds of millions of rural labourers into wage work. Given the high labour-to-land ratio in rural China and low returns to agriculture, rural residents embraced wage jobs when they first became available. Thus, the commodification of labour in rural China was mainly driven by ‘recruitment through market’ (Webber 2008) rather than forceful dispossession.

The two to three hundred millions of migrant wage workers in cities, however, faced various institutional barriers and market disadvantages that have prevented most of them from permanently settling in cities. Instead of one-directional migration of full households, rural migrants’ wage labour is typically combined with continued family farming through a household division of labour with urban wage incomes mainly remitted back to the countryside. Huang and Gao (2013, 56) calculate that, in 2011 the total wage incomes of

²⁷ Households can also be in this position as a result of members’ lifestyle choices. In a cultural context that stigmatizes all things rural, the younger generation can choose an urban lifestyle in spite of lower incomes.

migrant workers amounted to 3,072 billion *yuan*; with another 1,756 billion *yuan* from incomes in rural wage employment, this adds up to a total of nearly 5 trillion *yuan* of wage incomes.

Huang and Gao (2013, 56) also correctly argue that this 5 trillion *yuan* of what they call ‘blood and sweat capital’ is the main source that funds capitalization – through households’ investing wage incomes in capitalizing agricultural petty commodity production.²⁸ This wage-income-financed capitalization of family farming, however, has further consequences, which Huang and Gao do not elaborate. Rising capitalization becomes a key force driving commodification of family farming: it leads to households’ increasing participation in markets for means of production and possibly land and labour markets to raise productivity, and in product markets to realize returns on these investments. Wide participation in wage work stimulates a generalized rise of capitalization in family petty commodity production in agriculture; and, as discussed earlier, rising capitalization, while improving labour productivity, also leads to increasing competition, market dependence and declining real farm gate prices. This then requires households to further divert labour into wage work to finance further capitalization and raise the productivity of remaining agricultural labour. All households, of course, do not have equal labour endowments, among other things. The differentiation of petty commodity producers then ensues. Therefore, the capitalization of family-based petty commodity production financed by the blood-and-sweat capital does not generally make all family producers more productive and thus more resilient in capitalist, market-dependent agriculture, as Huang and Gao (2013) imply, but in fact creates differentiation among them.

²⁸ We should not assume, however, that wage remittance is all invested in family farming. Instead, wage remittance is used to fund social reproduction needs such as housing construction, marriage, healthcare expenses and education investment (De Brauw and Rozelle 2008).

For the dual-employment households, which all agree are the largest group in rural China (He 2011b; Huang and Gao 2013; Yang 2012), this chain of development that started with labour commodification has resulted in the full commodification of their subsistence.²⁹ In the more densely populated eastern half of China, rural residents now see labour as a standardised commodity – at least within the scope of a county – that should fetch an expected price, regardless of the type of use it is put to.³⁰ In this sense, household members who remain in petty commodity farming can be thought of as wage workers ‘hired’ by the family: if the returns to their labour time from family farming is inferior to the reference point – wage rates in markets for manual labour – then it makes little sense for them to suffer ‘self-exploitation’ in family farming.³¹ Their relationship with land, as discussed earlier, has also become a commodity relation. For most rural households, but particularly dual-employment households, the choice is simply between continued family petty commodity production, or, leasing out land for rent and finding wage jobs. In both practices, their subsistence and reproduction is based on commodity relations.

Compared with other classes, the dual-employment households have the most notable household division of labour, which typically takes three forms. First, the most prevalent

²⁹ The collapse of the socialist rural welfare system, which led to the commodification of healthcare and education, also contributed to this.

³⁰ Gender differences, however, persist. Female labour continues to be devalued. Women are typically paid less for the same type of work. Occupational segregation has also emerged. In commercial vegetable farming, for example, more technical and higher paid jobs like grafting are dominated by men, while women are relegated to grunt work in greenhouses. I am indebted to an anonymous reviewer for pointing this out.

³¹ This logic, of course, has its limitations. Not all labour is suited for wage jobs. Some forms of labour, for example, that of the physically disabled, the elderly, or even ethnic minorities, can only find gainful employment in family farming. This is part of the process through which unequal labour endowments lead to differentiation.

form is gendered: typically, the husbands migrate to find wage jobs, while wives stay behind to farm and provide care for children and the elderly (Jacka 2012; Wu and Ye forthcoming). These so-called ‘left-behind women’ often also engage in local wage jobs. They are in fact the main source of wage labour for commercial farmers. Second, households that specialize mainly in petty commodity farming and employ all members regularly in family farming can still engage in seasonal wage jobs.³² Finally, households can adopt a generational division of labour, in which unmarried young adult children join wage work, while middle-aged parents, who face disadvantages in labour markets, continue with petty commodity farming. In fact, such generational divisions of labour – and cross-subsidies between wage work and family farming – can also happen between two separate households, those of parents and their non-coresiding married adult children. Some households we include in the commercial farmer category may not in fact be fully independent petty bourgeois but dependent on wage income from another household.

The diverse mechanisms that drive these forms of division of labour within households and create differentiation across households are beyond the scope of this paper. Status competition among rural households and cultural aspiration for urban lifestyles can both play a role in driving labour commodification and migration, even when petty-commodity farming is possible and even financially more rewarding. But the goal of this paper is to analyse the ‘compulsion of dull economic forces’ that is no doubt the primary driver of rural class differentiation. It suffices to point out that rural households’ allocation of labour across rural-urban and farm-nonfarm divisions – often at great cost to their family lives and subjective wellbeing – is not simply a result of them being stopped from full

³² This group is then very difficult to be distinguished from petty bourgeois commercial farmers, whose withdrawal from selling labour is not absolute either. Their difference is probably more conceptual: commercial farmers have more profitable petty commodity production and are thus less compelled to sell labour.

urbanization by institutional barriers such as the household registration system. Many households choose to invest their ‘blood and sweat capital’ in rural capitalization rather than urban integration – such as buying urban housing, which can come with urban household registration – because they see the advantages of the former compared to sole dependence on urban wage work: lower social reproduction costs, higher returns for the labour endowments they have, and the insurance that petty commodity farming provides against the precariousness of their wage jobs.

In this sense, there probably is a further differentiation within this group: some are holding on to farming, but have to use wage incomes to finance their capitalization; while others are shifting to urban jobs, with farming only the residual of an unfinished transition. Among the latter group, while some are prospering in urban jobs, many in fact are proletarianized by differentiation among petty commodity producers, as they become *too poor to farm*. They are en route to join wage-worker households.

Wage Workers

Zhang and Donaldson (2010) identify three types of rural households who are solely wage workers. Two are ‘semi-proletarianized’, because they still remain nominal owners of their allocated land rights. They both have leased out their land rights and become wage workers: one group migrates to more developed areas for agricultural wage work, the other stays in their own villages and works for the companies or capitalist farmers who lease in their land. A third group are fully proletarianized, landless wage workers, who typically have lost their land due to land expropriation. Landless workers’ entry into wage work is easy to understand, as they simply have no choice. For ‘semi-proletarianized’ wage workers, the distinction between the two types drawn in Zhang and Donaldson (2010) is based on whether

they continue to farm in their own villages, rather than the dynamics that drive them into wage work, which are more of interest here.

Without land dispossession, there are three mechanisms that can drive households to shift all their labour into wage work. The first, to use Webber's term 'recruitment through market' (2008), is when subsistence peasants from poorer areas migrate to more developed areas to find wage work in agriculture. Second, farmers can be driven into wage work by land transfers, when all their land is leased to corporate farms or capitalist farmers. This is what usually happens with 'politically assisted accumulation' discussed earlier, in which village authorities or local governments consolidate land through encouragement, persuasion and intimidation, if necessary, to attract investment by capitalist producers.

Zhang and Donaldson (2010) provide cases for these two processes. But there is a third process in which households are gradually driven out of petty commodity farming by differentiation generated by capitalization and market competition. Mrs. Luo, whom I interviewed in April 2014, provides a good example. She lives in a village located in one of the most productive farming regions of China, the Chengdu plain in Sichuan province. 15 years ago, she and her husband followed the township government's instruction and shifted from growing rice to fruits. Their commercial farming venture was successful for the first few years, but then market saturation drove down prices, and they had to shift from grapes to cherries, then to loquats. Her husband first left farming for wage work; then two years ago, she gave up too. Now, the husband makes about 4,000 *yuan* a month as a migrant worker in Guangdong, but squanders most of it in gambling. Mrs. Luo has purchased a motorized tricycle to ferry tourists around a nearby historic site and earns between two to three thousand *yuan* a month.³³ They have a teenage son, who is resolutely not interested in farming and has

³³ She is technically self-employed, but practically a disguised wage worker.

been in training for different trades, without succeeding in getting a stable job. Their little orchard, where loquat trees still grow, is now entirely left to nature.

Paradoxically, the Luos are both ‘too rich to farm’, because there are higher-paying wage jobs available than suffering ‘self-exploitation’ in under-capitalized family farming, and ‘too poor to farm’, because they are unable to meet the labour and capital requirements to sustain high-risk, high-capitalization petty commodity production. In fact, most households in the village are in the same situation, so there is little demand for land rental. Mrs. Luo thinks the best thing now can happen to her land is for the state to expropriate it altogether; that way, she will at least get a cash pay-out for an otherwise unmarketable asset.

For the first group of wage workers ‘recruited through market’, who never had a chance with petty commodity production, wage work represents upward mobility from subsistence farming – at least in income. But for former farmers like the Luos, the shift from petty-bourgeois commercial farming to dual employment, and finally to sole dependence on wage work is a downward descent, pushed by, first, the commodification of their subsistence and then, the capitalist logic of market competition.

The Luo family’s case and the analysis above highlight the constant flux we find in the class differentiation process. While the positions of petty bourgeois commercial farmers, dual-employment households and wage-worker households are objective and, as patterned combinations of household market situations, relatively stable class positions, the incumbents of these positions are in flux. What drive this fluidity in households’ class positions are not just the inherent dynamics of differentiation in market-dependent petty commodity production, as in the Luo family case, but also external changes in the political economy and life cycle dynamics. While I have only examined the movement in one direction, other scholars have shown that when an economic downturn causes the decline of wage jobs, as happened in 2009, or when the onset of middle age reduces migrant workers’ job-market

prospects and raises labour reproduction costs in cities, a movement back from wage work to family farming can happen, albeit typically to a depressed level of prosperity (Wen 2013).

CONCLUSIONS AND DISCUSSION

This study identifies five agrarian class positions in contemporary China. Four of these positions have become dependent on commodity relations for their social reproduction (or accumulation). These four positions can map onto the four classes Lenin identified in his classical study of rural Russia: capitalist ‘rich peasants’, petty bourgeois ‘middle peasants’ and ‘small peasants’, semi-proletarian ‘poor peasants’, and proletarian wage labourers. This is not surprising, given that once agriculture is integrated into the circuit of capital, it follows the same inherent logic of capitalism and generates similar patterns of differentiation.

Based on the understanding that social relations of production in market-dependent capitalist social formations are manifested through market relations, this study uses households’ combination of market situations – in labour, land, product and means of production markets – as the empirical instrument for identifying class positions. This instrument and the classification that it produces should be applicable in other contexts, especially where non-farm wage work is widely available and closely bonded with family farming.

This classification is constructed as a heuristic device to help focus our analytical gaze on the dynamics of accumulation and commodification that drive the processes of differentiation. Those local dynamics and concrete circumstances, which mediate the inherent tendency of class differentiation in capitalist agriculture, form the main contents of this analysis. With the help of this classificatory scheme, this study offers a summary account of the following four key dynamics of agrarian change in rural China and their effects on social differentiation: first, the multiple paths of accumulation for capitalist farmers; second, the

tendencies of differentiation among petty bourgeois commercial farmers created by the market imperatives of competition and capitalization; third, the commodification of subsistence that created the labouring classes; and finally, crosscutting the previous three, the important and varying roles of the state in either assisting accumulation, providing (or undermining) the conditions for viable petty bourgeois commercial farming, and accelerating the commodification of labour and land.

What emerges from this analysis is a different understanding of family farming in China that goes beneath the surface of its continued dominance as a form of socially organizing labour and land in agricultural production. It reveals its fundamental transformation. Family farming in today's China is no less capitalistic than corporate farming organized by agribusiness using wage labour. It heavily depends on wage labour in two ways: first, on hired wage workers in agricultural production in family-managed entrepreneurial farms and family-worked commercial farms; and second, through capitalization made possible by wage income remittance. Furthermore, most family farms have become market-dependent. Their production and the family producers' social reproduction can only be maintained through market competition and commodity relations. They are subjected to the same market imperatives just as corporate farms. They either raise capitalization to increase labour and land productivity and stay competitive in markets, or are gradually pushed into wage work.

A clear depiction of class differentiation also provides a backdrop for any study of class relations and political processes in rural China. The approach suggested here to do class analysis in rural areas starts with identifying class positions and then class actors objectively created by these class positions. Understanding class positions and their objective interests then informs us about class actors and their relations. A detailed analysis of the emerging

class identities and relations is beyond the scope of this paper, but some preliminary observations can be derived from the analysis above.

As a new class structure emerges, we expect that the fault lines in rural society also shift. But so far, class-based contention still remains dormant in rural China. The most important reason for this is probably the ‘fragmentation of classes of labour’ (Bernstein 2010). The majority of rural households now have to pursue their social reproduction across multiple sites of the social division of labour simultaneously. While their precarious positions in the labour markets are highly similar, their individual experiences in the labouring process and relationships with capital and other classes can be highly variable. Many people do enter into exploitative relations through wage employment, but such relations are either mediated by their households’ simultaneous contradictory positions in petty commodity production or spatially displaced due to the migratory nature of most people’s wage employment. Even for locally based wage employment, the potential conflicts between classes can still be moderated by the dense social relationships that, on one hand, connect employers and workers as kin member, for example, while on the other, crosscutting class alliances among workers with group identities based on native places or dialects.

While collective agency among these fragmented classes of labour is difficult, it is not impossible, especially when the common foundation of their social reproduction is threatened by land grabs, or when fragmentation in wage employment is eliminated in large-scale corporate farming, in which an agribusiness rents a village’s land and organizes the entire village labour force in wage employment. More rural conflicts are now centred on various land-related issues, as access to and control over land-based resources have become the centre of contention between competing class interests: capitalist producers want to enclose these exclusively in their circuits of capital accumulation, but a broad swathe of the rural population that engages in petty commodity production still base their social reproduction on

these resources. While market forces can gradually create differentiation and lead to increasing concentration of land by capitalist producers, that process can be greatly accelerated by mobilizing state power and using extra-economic means. Thus, local states often become targets of popular agitation as they act to assist for capitalist accumulation.

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