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## Social Change and the Urban-Rural Divide in China\*

*Martin King Whyte*

To most observers, China today is an extraordinary success story. In three short decades the world's most ancient continuous civilization, most populous state, and the former "sick man of Asia" has been transformed into an economic powerhouse that will shape the global political economy for the rest of the 21<sup>st</sup> century and beyond. In comparison with the former Soviet Union and its East European satellites, China seems to have made a remarkably smooth and successful transition from a centrally planned socialist system to a dynamic, market-oriented economic engine. Yet beneath the surface China's social and political order suffers from paradoxical internal contradictions which that society's reformist leaders have not been able to resolve.

The current essay deals with perhaps the most important such unsolved institutional problem in China today, the sharp cleavage between its urban and rural citizens. As Ireland and other countries heighten their economic interaction and diplomatic engagement with China, it is important that they be aware of the deep-seated social conflicts and injustices that have characterized rural-urban relations in China since 1949, as continued failure to address and rectify these problems may threaten China's continued rise.

It is now clear that the revolution led by Mao Zedong, usually seen as dedicated to creating a more egalitarian social order, in actual practice created something very much akin to serfdom for the majority of Chinese citizens—the more than 80% of the population residing in rural villages, who were effectively bound to the soil.<sup>1</sup> Despite some weakening of the bondage and discrimination faced by rural citizens in recent years, China is still struggling with the legacy of the system the Chinese Communist Party (CCP) leadership created during the 1950s. That a peasant army led by a son of the soil, Mao Zedong, established "socialist serfdom" for rural citizens is a major paradox of the Chinese revolution. Before discussing the grounds for these claims and pondering how this situation came about and was sustained over time, it is worth considering how much at variance this development is with the conventional view on inequality trends in China since 1949.

### *Conventional Views on Inequality Trends in Post-1949 China*

In most conventional accounts, the history of the People's Republic of China can be divided into two very different eras, the socialist order presided over by Mao Zedong from 1949 to 1977, and the reform era launched by Deng Xiaoping, from 1978 to the present. In the first era, so the story goes, Mao and his colleagues (including Deng) relentlessly worked to attack feudal remnants left over from Imperial and Republican China and to promote greater social equality, even when such egalitarian interventions interfered with economic growth. In the closing phase of Mao's rule, the Cultural Revolution decade (1966-76), Mao and his radical followers criticized the social order they had built during the 1950s, as well as the Soviet model

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\* The essay is based upon a talk presented at the conference, "China in the 21<sup>st</sup> Century," organized by the Irish Institute of Chinese Studies, University College of Cork, Ireland, June 6-8, 2007. A somewhat different version appears as the introductory essay in Whyte 2010.

<sup>1</sup> This essay builds on previous research on rural-urban relations in the People's Republic of China, including Potter 1983; Whyte and Parish 1984; Chan 1994; Solinger 1999; and Wang Fei-ling 2005.

on which it was based, as still too hierarchical and unequal. It is believed that the resulting Cultural Revolution reforms transformed China into an even more egalitarian (but also more economically inefficient) social order.<sup>1</sup> In the reform era, in contrast, the conventional wisdom is that Deng and his reformist colleagues switched gears and began pursuing economic growth at all costs, while ignoring the goal of promoting social equality. As a result of this switch, China today is characterized by both high growth rates and rising inequality.

While there is much truth in this conventional account, it doesn't fit the reality of the changes over time in what has become China's foremost social cleavage—the rural-urban gap. What actually happened to China's rural residents was very different from the scenario of systematic promotion of equality under Mao followed by widening inequality in the era of market reforms. As indicated at the beginning of this essay, the actual trend looks much more like descent into serfdom for rural residents in the Mao era, with only partial liberation from those bonds in the reform era. In other words, in multiple ways the social status, mobility opportunities, ways of life, and even basic citizenship claims of China's rural and urban citizens diverged sharply under the socialist system that Mao and his colleagues created, producing a caste-like division that did not exist prior to 1949. Mao's socialism led to a fundamental aggravation of the rural-urban cleavage, not the reduction implied by the conventional discourse.

Since 1978 the picture is more complicated. In some respects the rural-urban cleavage has been weakened and reduced, while in others it has widened still further.<sup>3</sup> What is clear, at least, is that the extraordinary status gulf between rural and urban residents in China, substantially a product of socialist policies and the practices and institutions of the Mao era, has left a legacy that has endured to the present. This persistence has occurred even as those socialist policies and institutions that were its basis have been increasingly dismantled, replaced by market distribution. This institutional inertia poses a second major paradox: why has it been so difficult in the midst of so much other hectic change to dismantle the systems of urban privilege and rural discrimination that were originally embedded in China's distinctive form of socialism?

This inertia contrasts sharply with what happened after Mao's death to another very important caste-like division created by Mao-era socialism. All Chinese families had been classified during the early 1950s into class origin categories based upon their economic standing, property, participation in labor, and other characteristics prior to 1949. These categories (e.g. landlord, poor peasant, worker, capitalist) became the basis for a system of class origin labels that persisted over time and were inherited in the male line. By the 1960s and 1970s your class label, by then based upon past history rather than current social position (for example, those with landlord labels had not owned any excess land since 1953), had a strong influence over whether you were favored or discriminated against in many spheres of life (access to higher education and good jobs, entry into the Party or the army, whom you could marry, etc.—see Kraus 1981). In 1979 China's reformers declared these class labels outmoded and harmful,

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<sup>1</sup> Deng Xiaoping was purged not once but twice during this period. He was purged in 1966, then rehabilitated in 1973, but then was purged again in 1976. After Mao's death later that year, the ouster of his radical followers (the "gang of four" and their supporters) prepared the way for Deng to be rehabilitated again in 1977. He remained the dominant figure in the Chinese leadership until his death in 1997.

<sup>2</sup> In both the Mao and the reform eras, China has had one of the largest income gaps between rural and urban residents of any nation.

<sup>3</sup> It would make a more appealing and even more paradoxical story if we could report that China's shift to market distribution since 1978 has led to a systematic reduction of rural-urban inequality in China, contrary to the conventional account which associates markets with inequality. However, the reality is too complex to support such a simple generalization.

required that they be removed from personnel dossiers and other identity documents, and forbid favoritism and discrimination based upon class labels. Almost overnight this class label caste system began to disappear from public consciousness, and it appears to play no significant role in influencing access to opportunities in China today.<sup>1</sup>

However, nothing comparable has occurred regarding China's rural-urban caste system. The remainder of this essay presents a brief summary of the specific policies and institutions that created "socialist serfdom" for rural residents in the Mao era. That discussion is followed by a similarly brief overview of some of the important changes that have altered rural and urban social patterns and rural-urban relations in China since 1978. The essay concludes with some preliminary comments on recent developments that give some hope that the legacy of "socialist serfdom" may finally be under challenge.

### *The Mao Era: The Institutionalization of "Socialist Serfdom"*

In late imperial times, and continuing after the 1911 revolution, China was anything but a "feudal" society. Although the economy was based primarily upon agriculture, and more than 80% of China's population lived in rural areas, there were few legal or institutional barriers to geographic and social mobility. Poor villagers could and did leave their communities in droves to seek their fortunes in the cities or frontier areas, or even overseas, sending back a portion of their incomes as remittances if they could, and perhaps returning periodically for family events and festivals, and maybe eventually to retire and die. A system of household registration existed over the centuries, but its function was to keep track of where people lived, not to restrict their movement. A rural migrant who succeeded in finding employment in a city could readily submit to registration, rent or buy housing, and in general become a settled urbanite, although perhaps still retaining a strong sense of being an urbanite from a particular rural place of origin and therefore different from neighbours from other places.<sup>2</sup> By the same token there were no aristocratic entitlements (outside of the imperial family prior to 1911) or caste barriers to prevent the rich from losing their fortunes, jobs, and/or land and descending into poverty and desperation. Given the high rates of upward and downward mobility and the relative freedom of movement of the Chinese population, over the centuries the status barrier between rural and urban residents was not large.

When the CCP swept to national power in 1949, this general pattern did not change much at first. Indeed, the CCP victory produced a huge wave of rural to urban migration, as the victorious revolutionary army, largely consisting of rural recruits and heretofore confined to relatively inhospitable rural base areas, swept into the cities and took over the management of all urban government offices and enterprises. Throughout much of the 1950s, substantial freedom of geographic and social mobility continued, with ambitious rural residents both recruited to, and flooding on their own accord into, cities to staff the growing offices and factories of the new socialist state. However, a series of interrelated institutional changes introduced in the years from 1953 to 1958 fundamentally changed this situation, replacing the relatively free movement of people with a regime of bureaucratic assignment and immobility that lasted until after Mao Zedong died in 1976.

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<sup>1</sup> While class labels appear to play no role in affecting current decisions regarding opportunities and social mobility, the effects of two decades of class label-based discrimination on older Chinese could not be erased so readily.

<sup>2</sup> There was a strong cultural tradition of native place psychology among Chinese migrants and a continuing role of native places and native place associations in organizing social life in pre-1949 Chinese cities, characteristics some claim inhibited the development of a general sense of urban citizenship or class identification in China compared with Western societies.

China's revolutionary leaders from the outset were worried about their ability to control and manage China's cities, which until the final stage of China's Civil War had been controlled by Chiang Kai-shek and the Kuomintang (not to mention earlier by Japanese occupiers and by other foreign powers in treaty-port concessions) and as such had been centers of private business; foreign influence; secret society penetration; and rampant crime, drug addiction, and other social problems—all forces threatening CCP rule. Free migration from the countryside into the cities was seen as aggravating the difficulties of bringing unruly Chinese cities under control. Thus even as the new government declared that Chinese citizens had the freedom to migrate and to live wherever they chose, they also criticized "blind" migration that didn't serve national interests and launched targeted attempts to get certain groups of migrants to return to the countryside (Cheng and Selden 1994). Only after the socialist transformation of the economy and the introduction and elaboration of a range of additional control institutions during the 1953-58 period was comprehensive control of individuals and their movements possible.

Just as the full control system was completed in 1958, it was massively disrupted by the launching of the Great Leap Forward, which led to active recruitment of an additional 20 million migrants from the countryside to fill the projected labor shortages of urban factories. After the collapse of the Leap there ensued a mass deportation to the countryside on roughly the same scale. It was only as of about 1960 that the "invisible walls" (see Chan 1994) Mao and his colleagues had created around Chinese cities slammed their doors shut, effectively eliminating virtually all further voluntary rural to urban migration until the reform period.

Despite their unfamiliarity with, and anxiety about, urban management when they came to power, and also despite the rural roots of the Chinese revolution, Mao Zedong and his colleagues ended up pursuing a vision of socialism that was every bit as biased toward the cities and industrial development, and against agriculture and rural residents, as the versions promoted by Marx, Lenin, and Stalin before them. The embodiment of socialism was seen, as in the Soviet Union, in large, vertically organized, capital-intensive industrial complexes located overwhelmingly in cities, complexes whose production and other activities were tightly controlled by the bureaucratic decisions of planners, with that control facilitated by the fact that Chinese socialism involved the elimination of markets not only for capital and land, but also for labor.<sup>1</sup> As in the USSR under Stalin, agriculture and the rural population were seen primarily as providing a source of extraction of resources to power industrial development in the cities.<sup>2</sup> The combination of a capital-intensive industrial development strategy and the failure of the Great Leap Forward convinced China's leaders that the labor power of rural residents, in the form of migration to take up urban jobs, was no longer needed or desirable in the 1960s and 1970s. Indeed, during those years efforts that were much more massive and successful than those undertaken during the 1950s resulted in millions of urbanites being mobilized to leave the cities and settle in the countryside—an unprecedented mass "ruralization."<sup>3</sup>

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<sup>1</sup> Urban China differed from the Soviet Union in having more total bureaucratic allocation of labor and inability of individuals to change jobs.

<sup>2</sup> During the Mao era there was a major effort to redistribute resources and funds from already developed to less developed parts of the economy, typified by withdrawal of resources from China's largest and richest city, Shanghai. However, the redistributed resources were used overwhelmingly to invest in industrial growth in smaller and newer cities in China's interior, and even in industrial complexes located in remote mountain areas (as in the "third" front campaign of the 1960s—see Naughton 1988), rather than in agriculture or rural development.

<sup>3</sup> The unprecedented nature of these reverse migrations away from cities is conveyed by the need to invent the term "ruralization" to convey the obverse of urbanization. What other developing society has

Since rural labor power was not needed to power urban industrialization, the countryside primarily served as a source of low-cost agricultural products to feed the urban population, with a portion also destined for export to earn foreign currency to finance technological acquisitions and other key activities. These strongly urban-biased economic priorities led to fundamentally different official distribution policies being adopted toward the cities and toward rural areas. Urban residents were provided with secure jobs; heavily subsidized housing, education, and medical care; rationed allotments of food and consumer goods; and a broad range of benefits (such as aid maternity leave, disability pay, retirement pensions, etc.), a combination one scholar (Solinger 1999) refers to as the "urban public goods regime."<sup>1</sup>

Rural residents, in contrast, received no such guarantees, were outside of the state budget, and generally only received such compensation and benefits as their own labors and their local communities could provide.<sup>2</sup> Although direct taxes on farmers were relatively moderate, the obligation to meet grain procurement quotas and thus turn over a large share of the harvest to the state at artificially low, bureaucratically set (and relatively fixed) procurement prices, when combined with the rising cost of urban manufactured goods and even agricultural inputs, such as chemical fertilizer, produced a price differential "scissors problem" for residents in China's rural communes.<sup>3</sup> These price policies, combined with the minimal and generally declining rates of state investment in rural areas and in agriculture, produced a situation in which many rural communities remained mired in poverty throughout the socialist period.

The rural picture is not entirely bleak during the Mao period, since considerable effort was expended by the state to promote techniques and institutions designed to improve agricultural performance and presumably raise the incomes of rural residents. However, for the most part these efforts took the form of "unfunded mandates" to build reservoirs, plant new strains of crops, change local incentive systems used to reward farm labor efforts, and so forth, all in the spirit of "self-reliance" by relying on local resources and labor-power with minimal financial assistance from the state. Some of these initiatives from above, such as China's own version of the "green revolution" promoting new, higher-yielding strains of major grain crops, were quite successful, and state promotion of rural health care and village cooperative health insurance plans and rural education raised life spans and education levels very significantly during the socialist period. However, other interventions from above were less successful (as in the limits on crop diversification and free marketing of the 1970s) or even disastrous (as with the Great Leap Forward with its estimated 30 million deaths, almost entirely a rural

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seen its largest city shrink in population over time? That is what happened to Shanghai, which had over 7 million people in 1957 and only about 6 million in 1973. See Howe 1981.

<sup>1</sup> Access to these benefits was not equal within the urban population, however. Some of these public goods were available only to the roughly four out of five adults employed in state-owned (rather than urban collective) enterprises, and even within the state sector, those employed in or connected with high priority firms managed at high levels of the bureaucratic system generally received better treatment than others (see Bian 1994).

<sup>2</sup> However, certain categories of rural residents—those employed on China's limited number of state farms, as well as certain local officials, teachers, and medical personnel, were classified as state employees and/or nonagricultural population, and they were thus entitled to treatment more comparable to the urban population.

<sup>3</sup> Bureaucratic control over prices and the use of price differentials were also the primary means of extracting low cost agricultural products to feed urban residents in the Soviet Union. When China's agriculture was collectivized in 1955-56, the resulting collective farms were termed "agricultural producers' cooperatives" (APCs). In 1958, as part of the Great Leap Forward, the APCs were merged into much larger units called rural people's communes. After the collapse of the Leap, communes were reorganized into somewhat smaller units, but the commune was retained as China's form of collectivization until de-collectivization was carried out in the early 1980s.

phenomenon). The result was a widening of the gap in income and standard of living between rural and urban areas over the course of the Mao era, not progress in pursuing the proclaimed goal of shrinking that gap. When local communities were not successful in their efforts at “bootstraps” agricultural development, residents had no alternative but to remain locked in local poverty (Ash 2006).

In China before the 1950s and in other societies around the world, the traditional remedy for rural poverty is out-migration. Individuals flee poverty-stricken communities to seek better prospects elsewhere—in other villages, in the cities, and sometimes even abroad. If they are successful in gaining an economic foothold elsewhere, they may send back cash remittances that help family members and relatives left behind and foster chain out-migration to share new opportunities, and in some cases they even return eventually and buy farmland or start up a village business. The potential gains to poor villages from out-migration generally far outweigh the potential losses (the feared “brain drain”). In socialist China, this escape mechanism was effectively closed off after 1960. China’s rural residents were bound to the soil much like serfs in medieval Europe through a combination of institutions centering on China’s system of household registration—the *hukou* system.

As indicated earlier, the requirement starting as early as 1951 that urban households all be registered through the local police substation did not initially prevent rural to urban migration. However, increasingly after 1953 new registration regulations and edicts were passed aimed at making such migration more difficult, culminating in much tougher regulations promulgated in 1958, which essentially prohibited all voluntary, individually initiated migration upward in the urban hierarchy. Even though the new rules were not effectively enforced until after the high tide of the Great Leap Forward, they put in place the institutions that made China’s rural and urban not simply areas of different economic priorities, but lower and higher castes (see Cheng and Selden 1994; Wang 2005).

At birth individuals inherited the household registration status of their mothers (although China is a thoroughly patrilineal society by tradition)<sup>1</sup> and were classified as either agricultural or non-agricultural, as well as by the level of city for those with non-agricultural *hukou*. Registration status was tied to a complex set of migration restrictions. Individuals could move voluntarily downward (to a smaller city or to a rural place), or horizontally (as when rural brides moved into the villages and homes of their grooms), but not upward. Permission to migrate upward in the system was to be granted only if the urban destination gave bureaucratic approval in advance, and that was to be granted only in relatively rare and special situations (e.g., admission to an urban university, service in and then demobilization from the army as an officer,<sup>2</sup> or when an urban factory had taken over rural land for plant expansion).

As noted earlier, urban registration status was not necessarily permanent, and over the years millions of urban residents were mobilized to leave and resettle in smaller cities or in the countryside, where their new rural registration status would normally prevent them from

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<sup>1</sup> After 1998 new regulations began to be implemented allowing individuals to claim the registration status of either their father or their mother, although some cities resisted following this practice for several years.

<sup>2</sup> The People’s Liberation Army over the years relied heavily on rural recruitment. Unlike officers, enlisted personnel were required to return to their original residences and *hukou* when their service was completed, even if they had been serving in an urban location. However, the additional training and skills acquired in the military often led to leadership or other specialized roles back in the village, rather than a return to life as an ordinary farmer.

returning to their cities of origin.<sup>1</sup> The burden of accommodating “rusticated” urbanites was an additional hardship for China’s villages. China’s cities could through such “rustication” mobilizations remain relatively lean demographically and economically, with virtually all able-bodied adults fully employed, while villages became places of concentration of the unemployed and underemployed.<sup>2</sup>

If a determined rural resident ignored the rules and wanted to move to the city without bureaucratic permission, it was next to impossible to do so. The other institutions (besides household registration and migration restrictions) that made China’s caste system enforceable were extensive urban rationing and the associated bureaucratic controls over the essentials of life (see the discussion in Whyte and Parish 1984, Chapter 4). After the 1950s, urban individuals were assigned to jobs in a bureaucratic fashion by local labor bureaus, rather than hired by firms and enterprises directly. Local urban registration status was a requirement, and most of those assigned were graduates of local middle schools and universities. There was no labor market, and no job fairs or personnel ads—in general there was no way for someone from outside the city to compete for a job there.<sup>3</sup>

Urban housing was also bureaucratically controlled and allocated, again with no market for housing rental or purchase by the general public. After the 1950s individuals and families obtained access to housing predominantly through their work organizations, and urban housing was generally so cramped that informal rental to a migrant would have been out of the question even if it had been legal. Individuals and families also obtained medical care through clinics and hospitals affiliated with their work organizations or neighborhoods, and to which they were referred when they needed medical treatment, making anything except emergency room care off limits to those who lacked local urban registrations at a minimum. Needless to say, only those with urban *hukou* could enroll their children in city schools. In addition, many but not all basic food items and consumer goods were strictly rationed, so that again at least a local urban registration and perhaps other qualifications were needed (along with cash) in order to make a purchase. The list varied somewhat from city to city and over time, but in general it was a long one, including grain and flour, cooking oil, pork, sugar, doufu, powdered milk, cotton cloth and garments, soap, “beehive coal” for heating and cooking, bicycles, certain furniture items, etc. etc. As a result of these extensive regulations and rationing, it was extraordinarily difficult for someone from rural areas, or even from a town or smaller city, to stay for any period of time in a Chinese city.<sup>4</sup> The rigidity of these institutional arrangements, and their strict enforcement,

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<sup>1</sup> There are some exceptions to these generalizations. The unpopularity of the program that sent 17-18 million urban educated youths to settle in the countryside in the decade after 1968 led to a change in the rules, so that youths sent down after about 1973 were promised a return to their cities of origin, and a recovery of their registration status in that city, if they had spent a designated number of years (often three) laboring in agriculture.

<sup>2</sup> When urban educated youths were forcibly resettled in rural villages, the state provide a one-time “settling down fee” that was supposed to ease the financial burden on the receiving villages. It was assumed that over time the rusticated youths would acquire farming skills and become contributors to, rather than drains on, village economies. However, given the poor preparation of most urban youths and the substantial morale problems involved in rural resettlement, it is questionable how often this optimistic scenario was fulfilled.

<sup>3</sup> One exception to this generalization is that some urban employers, particularly factories, could request permission to hire temporary, contract laborers to meet short-term fluctuations in production activity. In some cases they could recruit such temporary workers from rural locales (see Solinger 1999: 39-40).

<sup>4</sup> Short term visits were possible, such as on business assignments or to visit relatives, with the proper travel papers and after converting grain or local grain ration coupons to the provincial or national grain ration coupons required to purchase food in the destination city. People who managed to stay in a place

help to explain how the age-old remedy of flight from the village to seek opportunities in China's cities remained effectively closed for two decades after 1960.<sup>1</sup>

### *The Reform Era*

The story of China's dramatic about-face after Mao's death is now familiar. In what amounts to a new social revolution, many of the institutions and policies of China's socialist era were jettisoned after the reforms were launched in 1978, increasingly replaced by market distribution, openness to the outside world, and frenzied pursuit of economic development along lines similar to what had occurred earlier in Japan, Taiwan, and South Korea. These reforms have changed basic aspects of economic and social life in China's villages and cities and have altered the nature of the rural-urban relationship. However, some important institutions and practices have not changed, or have changed only around the margins, so that China entered the new millennium still sharply divided into two separate castes, rural and urban, with sharply different rights and opportunities in life.

The two most important institutional changes affecting China's rural residents and rural-urban relations are the de-collectivization of agriculture and the loosening of migration restrictions. The ending of collective farming (in the period 1978-83) and the return to family farming through the household responsibility system mean that villagers are no longer under day-to-day command of local cadres and have much more autonomy to plan their economic activities and deploy their family labor power as needed. Provided that families meet their obligations to turn over the required grain procurements and agricultural taxes on their contracted land, they can experiment with new crops, start a business, or even leave to seek work elsewhere.<sup>2</sup> Even though China's authorities have maintained a strong preference that "elsewhere" be restricted to village factories or jobs in rural towns, eventually migration to distant locales and large cities became common. Indeed, China's establishment starting in 1979 of Special Economic Zones along the coast, which rapidly grew into major urban centers, would not have been possible without large-scale migration from China's villages. The vast majority of the "made in China" items that have flooded markets around the world are the product of such migrant workers.

The new opportunities for rural people to augment or even replace reliance on growing grain with a much more diverse array of activities—growing specialized crops, engaging in handicrafts, marketing to towns and cities, starting a village business, working in a rural factory, or seeking wage employment in urban areas—helped spur an initial rapid improvement in rural incomes in the 1980s and a dramatic reduction in the proportion of rural residents mired

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where they were not registered were referred to as "black people, black households" (*heiren heihu*). The main instance of this occurring on any scale involved urban youths who had been sent down to the countryside in the mass campaign after 1968 who sneaked back and stayed with family or friends. In these cases they might prevail upon their hosts to share ration coupons and food in order to evade the system, but even so the black market, theft, and other shady activities some youths resorted to in order to survive contributed to a sense of declining urban social order in the 1970s.

<sup>1</sup> Flight from poor villages in the past might be to other villages or to more sparsely settled regions around China's periphery. We know little about such poverty-induced migration within rural areas in the 1960s and 1970s. However, such migration is likely to have been minimal also, since the strict enforcement of the household registration system and the way in which rural people's communes operated as exclusive corporate membership trusts posed substantial barriers against migrants (except for in-marrying brides) trying to gain entry and acceptance in other villages.

<sup>2</sup> There have been experiments and proposals to phase out the mandatory procurement of grain from the countryside and rely entirely on markets. Over time the proportion of the crop governed by state procurement has declined so far that today almost all crops in China are traded at market prices. The state grain tax was abolished in 2004 (see discussion below).

in poverty. Indeed, the fact that China's rural reforms took off earlier than the reform of the urban economic system (in the late 1970s, rather than after 1984) contributed to an initial shrinking of the income gap between China's rural and urban residents during the first half of the 1980s.<sup>1</sup>

However, some new developments of the reform era further disadvantaged China's villagers, rather than "liberating" them to pursue better opportunities. In particular, the rural health care system, which had done so much to foster better health and longer lives despite the material poverty of the Mao era, collapsed. Village cooperative medical insurance systems ceased to function in most villages, with rural residents having to seek medical care on a fee-for-service basis, while many of the rural paramedical personnel (the famous "barefoot doctors") and even some fully trained medical personnel left rural areas or left medicine entirely. Similarly, the financing, teaching, and attendance levels in rural schools were undermined by market reforms, leading to a sharp decline in the early 1980s in rural secondary school enrollments, with partial recovery in later years. As a result, in terms of access to medical care and education, the gap between rural and urban widened in China in the early years of the reform period.

The de-collectivization of agriculture, in combination with market reforms in the urban economy, unleashed waves of rural to urban migration in China, with estimates of the size of that country's "floating population" at any one time ranging from 80 million to 130 million or even more. Urban rationing was phased out in the midst of the growing abundance available in urban markets, and Mao-era prohibitions against employing and renting housing to rural migrants were also relaxed. For individuals with agricultural household registrations, getting established and earning a living in a city went from being close to impossible to simply difficult.

In established large cities initially most of the migrants filled niches and took jobs that the urban population disdained (as the "three Ds," jobs that were dirty, difficult, and dangerous), particularly in construction, hauling, domestic service, and in street-corner commerce. However, the rapid growth of new factories and businesses, many of them based upon foreign or private ownership, produced a rising demand for labor across the board that could only be satisfied by hiring rural migrants. Most large cities in the 1980s and 1990s responded to the migrant "threat" by passing complex sets of regulations designed to prohibit migrants from being hired in particular occupations and in certain kinds of state enterprises and government agencies. However, the availability of masses of eager rural migrants, willing to work for modest wages and in many instances having at least some secondary schooling, led urban firms to try to get around such regulations in order to hire migrants. After the mid-1990s, as state-directed reform of state enterprises accelerated, with large numbers of state firm employees laid off or threatened with firm closure, increasingly rural migrants were competing directly with urban residents for some urban employment opportunities.

Despite the expansion of opportunities in the cities for rural migrants, the situation is still very far from equal opportunity for all Chinese citizens. The key point to bear in mind is that the vast majority of rural migrants seeking opportunities in Chinese cities still retain their agricultural household registrations, no matter how long they have resided in an urban locale. There are some limited exceptions to this generalization. If rural residents manage to find stable

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<sup>1</sup> A long-overdue increase in the state procurement prices paid to farmers for their obligatory grain deliveries in 1979 also contributed to the shrinking of the rural-urban income gap in the early 1980s. According to official figures, the ratio of average incomes of urbanites compared with rural residents fell from close to 3:1 prior to 1978 to less than 2:1 by 1984, before shooting up again to more than 3:1 in recent years. See Li and Luo 2010, Figure 5.1

employment and housing in low-level cities (at the township level starting in 1984 and at the county level after 2001), they can apply to obtain non-agricultural *hukou* status in that locale. Also, in some periods and in some cities, wealthy rural migrants willing to invest large sums in either businesses or housing purchases have been able to obtain “blue seal” local non-agricultural *hukou*.

In very recent times there have been experiments in a variety of Chinese cities to more fundamentally reform the *hukou* based system of discriminatory access to urban facilities and opportunities, but in general throughout the reform period categorical discrimination based on the rural-urban cleavage has persisted. Indeed, one might say that the primary change since the Mao era is that there is now a three caste system in China, rather than a two caste system, with one’s opportunities and treatment differing sharply for rural residents, rural-urban migrants, and urban *hukou* holders.

Migrants, as the intermediate caste, have access to many more opportunities than the rural kin they leave behind. However, on many different fronts they are subjected to inferior treatment and discrimination by both urban *hukou* holders and urban authorities, again no matter how long they have been a *de facto* urban resident. For example, migrants not only tend to be concentrated in less desirable jobs with lower pay and benefits, but even when they work in the same jobs as urban residents, they may not receive the same treatment. Indeed, many migrants have their wages docked in order to pay substantial fees and deposits in order to be hired in the first place, making them in effect bonded laborers until they can pay off their “debts.” In addition, migrants have generally not been able to send their children to urban public schools unless they are willing to pay special high fees, requiring most to resort to inferior but less expensive private schools that cater to migrants. Urban authorities have from time to time bull-dozed suburban housing settlements catering to migrants, and they have also closed and padlocked some migrant schools as “substandard.” Migrants are vulnerable to police arrest, detention, physical abuse, and deportation to their native village, particularly if they are not able to present acceptable proof of urban temporary registration and other identity documents.<sup>2</sup>

For their part many if not most urbanites continue to regard rural residents as well as urban migrants as uncultured, backward, and in general less civilized than urbanites,<sup>3</sup> and they often blame migrants for the increasing congestion and crime they see around them. Given this institutionalized discrimination, it is not surprising that there are striking parallels between the treatment of China’s “floating population” and illegal immigrants in the United States and blacks and coloureds in the former apartheid system in South Africa, ironic parallels given the

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<sup>1</sup> However, since villagers can readily become migrants, while neither villagers nor migrants can readily become urban citizens, it seems more accurate to describe the present system as still consisting of two distinct castes, rural and urban, with the rural caste subdivided into two subgroups, villagers and migrants.

<sup>2</sup> After a widely publicized incident 2003 involving the death of a migrant in detention in Guangzhou, Sun Zhigang, new regulations were passed designed to minimize such abuses, although a few years later they seemed to be occurring again. Sun’s case stirred special outrage because he was a college graduate from another large city (Wuhan). No comparable outrage has been expressed over cases of abuse of true rural migrants. Migrants are supposed to register with a local police station if they are staying for more than three days in their destination city and apply for temporary household registration if they are staying longer than a month, but these requirements are unevenly enforced, and at times it has been estimated that less than half of the migrants present in the city are officially registered in this manner.

<sup>3</sup> One study (Fong 2007: 87) states, “even the impoverished, academically unsuccessful urban Chinese [youths]...tended not to think about themselves as part of a lower class because they, like most urban Chinese citizens, saw themselves as united with urban citizens of all classes in a superior urban citizenship category defined by its opposition to an inferior rural citizenship category.”

fact that migrants are Chinese citizens supposedly entitled by their constitution to equal treatment.<sup>1</sup>

Despite the many obstacles and forms of discrimination they face, migrants keep flooding out of the countryside and into China's urban areas. They constitute the great majority of the *de facto* population of newly arising export-oriented cities, such as Shenzhen in Guangdong. Even in China's established large cities, they may constitute as much as 30% or more of the actual urban population at any one point in time. By the same token, the proportion of China's population residing in rural areas has declined sharply since the reforms were launched, from perhaps 80% or more at that time to roughly 60% or even less today.<sup>2</sup> If we take into account the fact that a significant proportion of the rural population and labor force no longer are involved in farming, then China early in the 21<sup>st</sup> century reached a milestone, with less than half of the total labor force dependent on farming (see Naughton 2007: 182).

It is generally acknowledged that migrants play a vital role in the economic revitalization of the Chinese economy since 1978, and in the economies of Chinese cities in particular. Migrants provide vital labor and services upon which urban *hukou* holders and enterprises have come to depend. The reestablishment of at least relatively free-flowing migration after a generation of urban closure also has the same potential benefits for rural villages and their residents that characterized China in the 1950s and earlier—underemployed rural labor power and extra mouths to feed can be removed from poor villages, migrants can send cash remittances and gifts back to families left in the village, migrants can assist family members and others to join them in taking advantage of urban opportunities, and some proportion of migrants return to the village with new skills and resources they may use to start businesses to enliven the local economy.

Despite the positive gains unleashed by massive out-migration since the 1980s, China's villages continue to face serious development obstacles. State priorities still heavily favor urban and industrial development, with the lion's share of government investment funds expended in that direction, rather than in agriculture, despite the pressing development needs of villages. Similarly, the great preponderance of bank loans in China's state-directed banking system go to large industrial firms, and particularly to the remnants of China's once dominant state owned enterprises, with little credit available for either private business or farm investments. In addition, the way the government's administrative and financial policies in rural areas developed after 1978 accentuated some development difficulties faced by villages. Higher levels of government expected townships and villages to maintain and improve village public facilities, such as roads and schools, while meeting demanding targets in multiple areas, but without significant state funding—a continuation in altered form of the "unfunded mandate" approach of the Mao era. In order to pursue their ambitious agenda, many local governments levied a large number of local taxes and fees in order to meet such obligations (not

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<sup>1</sup> China's institutionalized discrimination against migrants has been criticized as a major human rights abuse. See Human Rights in China 2002.

<sup>2</sup> Urban population statistics in China involve multiple complexities and puzzles—particularly the fact that official city size statistics are affected by administrative boundary changes and the variable inclusion of large rural areas within city administrative jurisdiction, and not solely by the natural increase of the existing urban population and rural-urban migration. Since experts engage in heated debates about what the most meaningful figures are for the urban population proportion at any point in time, we will be content here with these "ballpark" urban population estimates.

to mention to pay the salaries of their growing staffs). The result was an aggravation of the peasant "burden problem" and rising rural discontent during the 1990s.<sup>1</sup>

There were, however, positive developments in the reform era with some potential for reducing the rural-urban gap. In an arguably more successful variant of the state's preference for "bootstraps" development with minimal state funding, rural residents and China generally profited from a boom in township and village enterprises (TVEs) after the early 1980s, with the number employed exceeding 120 million by the early 1990s. Local non-agricultural jobs in TVEs constituted the primary alternative to urban migration for villagers wanting to escape a life of farming. However, two features limited the impact of TVE development on rural economies. First, TVEs were very unevenly distributed, primarily concentrated in already relatively prosperous rural areas along the coast and near sources of foreign capital and export markets, rather than in poor interior villages where alternative employment was most needed. Second, the changed economic climate in the 1990s made it much more difficult for TVEs to compete and grow, so that total TVE employment has been fairly stagnant since, rising to only about 140 million in 2003 (Naughton 2007:286). Nonetheless, some rural locales have benefited during the reform era from the availability of two important employment alternatives that were largely closed off during the collective era—rural industry<sup>2</sup> and migration to the cities—and despite the state's continuing bias toward urban development.

The changing opportunity structure after China's reforms were launched has enabled some rural families, and indeed some entire rural villages, to become very prosperous.<sup>3</sup> However, since the mid-1980s the most dynamic growth in the economy has been in urban areas, and the income gap between rural and urban residents has widened once again—to levels that are unusually large compared with India or other developing societies. The combination of state favoritism toward cities and industry on the one hand and continuation of institutionalized discrimination toward China's rural citizens through the *hukou* system on the other has counteracted any tendency for market reforms to help close the rural-urban income gap. As a result of the reforms, the term "socialist serfdom" is clearly not applicable any longer, since rural residents are neither bound to the soil as they were in the commune era nor operating in an economic system organized on socialist principles. Nonetheless, both rural residents and rural migrants living in cities continue to suffer from institutionalized discrimination in China today.

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<sup>1</sup> Villages that had successful business enterprises could tax the profits of such businesses to meet these local expenses, thus reducing the need to dun village families with extra fees. Since such enterprises were concentrated in China's coastal provinces, the burden problem seems to have been most severe in interior provinces.

<sup>2</sup> During the Mao era there was some emphasis on development of rural industry. However, the goal of such village factories was to meet rural needs for cement, farm tools, fertilizer, and other agriculture-related products, not to produce for domestic or foreign markets or to augment village incomes. As such the employment and other impacts of the village factories were limited prior to the reform era.

<sup>3</sup> One special category of very rich villages has developed in recent times, referred to as "urban villages." These are rural communities that have been swallowed up by expanding cities, and in the process they have been able to negotiate highly advantageous financial arrangements for turning over their land for development by city or private developer use. Through these arrangements members of the village retain their claims to the land and receive regular payments (essentially rent) that are often so lucrative that the villagers can live on them without engaging in any labor themselves. Members of this new "peasant rentier" class differ from the vast bulk of China's villagers and migrants in rejecting offers to change their household registration status from agricultural to non-agricultural, for to do so would forfeit their claims to their land and thus to these rent payments.

*Signs of Change? New Policy Initiatives in the 21<sup>st</sup> Century*

Although China's market reforms have not, to date, done much to reduce the disadvantages that come with being born in a village and bearing an agricultural household registration, there are two developments in the new century that provide a glimmer of hope that the institutions that have promoted such a sharp cleavage between rural and urban might eventually be reformed and the social injustice they foster ameliorated. The first involves announced changes in state priorities in favor of rural areas, and the second involves increasing public discussion and debate about the injustices of the *hukou* system and experiments with that system's reform or even elimination.

Already toward the close of the period of Jiang Zemin's leadership (1989-2002), the CCP decided to shift economic development priorities somewhat away from the previous primary emphasis on coastal development and toward the interior, as symbolized by the campaign to "Open up the West" launched in 2000. At around the same time, vigorous new efforts were made to address rural discontent arising from the excessive burden of local taxes and fees, efforts focused on instituting "tax for fee" reforms and providing increased state financial resources to rural communities.<sup>1</sup> These changes, combined with another round of increases in the procurement prices paid to farmers for their grain deliveries in the mid-1990s, were intended to redress China's widening regional and rural-urban income and consumption gaps. Additional efforts along the same lines have characterized the team of CCP leader Hu Jintao and Premier Wen Jiabao that assumed command after 2002. Hu has warned about the danger of social unrest—particularly in China's villages—and is promoting the slogan of China becoming a more "harmonious society" and fostering a "new socialist countryside." As part of this effort, beginning in 2004 the new leadership announced efforts to phase out agricultural land taxes and rural school tuition fees and to have the state provide an increased share of funding for rural schooling. A year earlier, experiments were launched to introduce and provide state financial subsidies for a new network of cooperative medical insurance systems in rural villages in order to reduce the barrier to obtaining treatment posed by medical fees. Also on an experimental basis, some localities in China have introduced a minimum income subsidy system for poor rural families (along the lines of the *dibao* system implemented earlier in Chinese cities)<sup>2</sup> as well as a system of modest cash old age payments to rural parents who don't have a grown son to support them. Again the picture is not entirely upbeat, since rural areas in recent years have been racked by rising protests stemming from another form of rural-urban tension—the confiscation of rural land for urban commercial and industrial development without adequate consultation and compensation. Still, on balance the range of recent policy initiatives designed to at least marginally shift priorities and resources more toward China's rural areas seems a hopeful sign.<sup>3</sup>

The other area of possibly hopeful developments involves a rethinking of China's *hukou* system. Increasingly since the mid-1990s, Chinese authorities as well as intellectuals have recognized the fundamental injustice of China's *hukou*-based caste system as well as the way in

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<sup>1</sup> The effort to reduce the rural tax and fee burden already has had considerable impact, according to the data in a national survey I directed in China in 2004. About 70% of the rural respondents in that survey replied that there had been some or substantial reduction in the taxes and fees they paid compared with three years earlier.

<sup>2</sup> The *dibao* system is a very modest minimum income program in which the urban poor receive cash subsidies from local governments.

<sup>3</sup> However, as of 2009 urban incomes were still growing faster than rural incomes on average, with the urban-rural income ratio increasing to 3.33 to 1 according to official figures, the highest level since 1978. See Fu 2010.

which this system interferes with the optimal mobilization of the talents and energies of all of China's citizens. Instances of abuse of both rural residents and urban migrants have been condemned in the official media and over the internet. Discussions have been aired about the need to promote a general sense of citizenship for all Chinese regardless of the accidents of where they were born. Regulations have been passed designed to give migrants equal treatment with urban *hukou*-holders in such realms as wages, fringe benefits, and schooling for their children. Many cities have repudiated their lists of proscribed industries and occupations, lists that had been used to restrict many urban jobs to those with urban *hukou*, while many localities have been experimenting with a variety of schemes designed to either make it easier for migrants to obtain permanent urban *hukou* or to reduce and eventually phase out some of the regulations designed to restrict access to urban resources and opportunities to natives of the city.

However, efforts to reform the system of *hukou* discrimination remained at an early stage when this essay was being written and apparently still faced stiff resistance within the leadership. One researcher (Wang Feiling) makes the jaundiced observation that there have been waves of proclaimed reforms designed to abolish the *hukou* system's injustices since the late 1990s, each of which has passed with only minimal impact. One reform being introduced starting in 2007 involves the replacement of the distinction between holders of agricultural and non-agricultural *hukou* with a distinction between local residents and outsiders. However, this change appears mainly to add another category to those discriminated against (migrants from other urban areas, who join rural migrants from elsewhere as "outsiders"), rather to give all of China's citizens equal legal rights to compete for and enjoy the opportunities and benefits of life in the nation's cities.

In March 2010 there was a dramatic outburst of public advocacy for abolition of the *hukou* system. Stimulated by some encouraging words from Premier Wen Jiabao during preparations for meetings that month of the National People's Congress and Chinese People's Political Consultative Congress, thirteen media outlets led by the *Economic Observer* jointly published an editorial calling for the abolition of the *hukou* system, including emotional language such as, "We hope that decades of Chinese government maladministration can end with this generation....Let the next generation enjoy the sacred constitutional guarantees of freedom, democracy, and equality." (quoted in Minzer 2010). The response of the authorities was swift and harsh. The offending editorials were quickly removed from media websites, and the chief drafter of the plea, Zhang Hong, was forced to resign his editorial position.<sup>1</sup> In his subsequent remarks at the National People's Congress, Wen Jiabao stated that abolition of *hukou* restrictions would still apply only in small towns and cities, but not in large cities. In other words, the status quo in regard to China's dual caste system since the mid-1980s was not to be altered.

There remains considerable fear that if all *hukou* restrictions are removed, and particularly if this done too suddenly, Chinese cities will be swamped by tidal waves of additional migration from rural areas, posing a serious drain on urban resources and services and a serious threat to social and political stability (see Wang Fei-ling 2010). Nonetheless, the increasingly open debate and new initiatives launched in recent years provide some positive signs. The caste-like

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<sup>1</sup> The other editors involved received administrative rebukes. After he was sacked, Zhang remained unrepentant. In an article explaining how the joint editorial came about, he concluded, "I have a firm conviction that legislation that disregards the dignity and freedom of the people will ultimately land in the rubbish heap of history. I hope that this system will ultimately be abolished. When the time comes I believe that many people will burst into tears from happiness and run around spreading the news." (Zhang 2010).

divisions the *hukou* system perpetuates have survived three decades of market reforms, and China's leaders have given no sign that they have figured out how to dismantle the *hukou* system. However, the increasingly vocal consensus that this fundamental axis of social injustice must eventually be abolished suggests a possibility, at least, that the Mao-era caste barrier between China's rural and urban citizens may eventually be breached.

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