

Rethinking the Rural-Urban Divide in China's New Stratification Order

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Abstract

I use a Marxist framework centred on the mode of production to conceptually analyze the changing stratification structure in today's China with a focus on the changing nature of rural-urban inequality. As the state-managed tributary mode of production, once dominant under socialism, is being gradually eclipsed by the reviving petty-commodity mode of production and the newly emerged capitalist mode of production, both of which are market-based and enable the transfer of surplus from labour to capital, a new set of mechanisms are creating and sustaining rural-urban inequality in China. Rural-urban inequality – although still significant in its magnitude – is no longer primarily based on the politically created status difference between rural and urban household registrations, but more on the newly formed rural-urban division of labour in China's new market economy. I use this perspective to look at how market situation – rather than household registration – is shaping the contours of rural-urban divide in today's China in three areas: inequality in rural areas, rural-urban disparities, and rural migrants in cities.

Keywords: *rural-urban inequality, class stratification, mode of production, household registration, rural migrants*

JEL classification: *J61, N35, P25, Z13*

1. Introduction

In this paper, I attempt to use a Marxist framework to conceptually analyze the changing stratification structure in today's China with a focus on the changing nature of rural-urban inequality. The gist of my argument is that Chinese society today is shifting from a society primarily stratified by politically defined social statuses to a hybrid stratification system, in which economically based classes are becoming increasingly important units of

social stratification. In this new stratification system, rural-urban inequality – although still significant in its magnitude – is no longer primarily based on the politically created status difference between rural and urban household registrations, but based more on the newly formed rural-urban division of labour in China’s new market economy.

The first part of the argument – about China’s transition from a status-stratified to a class-stratified society – is, of course, not new; as early as in 1978, Szelenyi (1978) already proposes that as socialist economies make the transition from planned to market economy, economic inequality among market positions becomes a more significant dimension in the stratification system. The entire “market transition” debate in the sociology literature in the 1990s is also very much centred on the relative importance of market-based classes as compared to the politically based statuses that were dominant under socialism. In this article, I depart from this literature in two ways.

First, I focus on the transformation of the mechanisms that are creating rural-urban inequality in China. Existing studies have largely eschewed the comparison between rural and urban China and the analysis of the creation of rural-urban inequality. While there are many works that try to quantitatively measure the degree of inequality between rural and urban populations in China, to my knowledge, a clear conceptual understanding of how the market transition is transforming the mechanisms that create rural-urban inequality has not emerged yet. Given the great significance of the rural-urban inequality in Chinese society, this lacuna is puzzling. It is probably partly caused by the technical difficulties of quantitatively comparing rural and urban populations, which would involve two different sets of variables, in studies that focus on income generation. On the other hand, however, it also reflects an unchallenged assumption held by many researchers that the rural society and urban society in China are fundamentally different and incomparable and the inequality between the two caste-like sections of the society is still sustained, not by market forces, but by a whole set of institutions – including those of household registration, social welfare provision, land ownership, job allocation, etc. – that were established under socialism but remain effective today. I challenge this assumption in this article and argue instead that rural-urban inequality in today’s China – just like intra-urban or intra-rural inequality – is primarily a result of market forces.

Second, I explicitly adopt a Marxist approach to propose a framework of understanding social stratification structure that can be applied coherently to the entire society in today’s China. Most existing studies on the changing stratification structure in China focus on the transition – the institutional changes and how these changes transformed the rewards to various social positions and the inequality between them. I argue that the knowledge gained from these existing studies allows us now to more systematically

conceptualize the contour of the stratification structure in today's China. For this task, the Marxist approach that focuses on the dominant mode of production in the society proves particularly useful.

Using the Marxist approach centred on the mode of production to analyze social stratification in Chinese society is, again, not new. Hill Gates (1996), for example, contends that for the past one thousand years, socioeconomic hierarchy in Chinese society was primarily structured by two different modes of production: the state-managed tributary mode of production (TMP) and the lineage-based petty commodity mode of production (PCMP). This paper extends Gates' analysis to contemporary China. It starts with an analysis of the dominant modes of production in today's China and uses this perspective to cast new light on how rural-urban inequality is generated in the dominant modes of production.

The goal of this study is not to quantitatively measure the increase or decrease in the degree of rural-urban inequality, but to conceptually understand the nature of rural-urban inequality and the social mechanisms that create this inequality. Although this paper does not present much empirical investigation, it does suggest empirically testable hypotheses. The conceptual framework I adopt here centres on the Marxist concept of mode of production – the system of creating, extracting, transferring and distributing economic surplus among different social groups. An analysis of the modes of production in an economy reveals not only how economic production is carried out, but also how inequality is directly created in this process through the extraction and transfer of surplus among social groups. As mentioned above, Gates (1996), using this perspective in studying stratification in traditional Chinese society, portrays the stratification structure in this way:

For a thousand years in the late-imperial tributary mode, a class of scholar-officials has transferred surpluses from the various producer classes (peasants, petty capitalists, laborers) to themselves by means of direct extraction as tribute, taxes, corvee, hereditary labor duties, and the like. In the private markets that flourished in China from the Song forward, free producers transferred any remaining surpluses *among* the commoner classes by means of wage labor and a hierarchical kinship/gender system.

(Gates, 1996: 7)

These two political-economic systems of organizing production and distributing surplus placed Chinese people within their reach into a two-tiered class structure. Under the TMP, extraction of surplus from producers by holders of political power created the most important status divide in the traditional society: officials vs. commoners. Within the two great tributary classes of officials and commoners – which, to use Max Weber's terminology, should be more strictly called "status groups" – second-tier hierarchies still existed.

The next section brings this perspective to examine the dominant modes of production and the stratification structure based on them during the socialist era, which created a caste-like rural-urban divide that characterized social stratification in socialist China. Following that, I will show how market transition changed dominant modes of production in today's China and introduced a new set of mechanisms that generate and maintain rural-urban inequality. This conceptual discussion is then followed by a more empirically focused examination of various dimensions of rural-urban inequality that generates some testable hypotheses.

2. Rural-Urban Inequality under Socialism

Despite a tumultuous century of confrontation with the outside world and internal societal transformation, some form of state and competitive markets persisted; the state-managed tributary mode of production and a petty commodity mode of production continued to be the two dominant modes of production that shaped the stratification structure in Chinese society. The real fundamental change to these two modes of production and, subsequently, to social stratification, came only after the founding of the People's Republic of China in 1949. During the socialist era (1949 to 1978), the reach and strength of the TMP reached its apex, whereas the PCMP was suppressed to the point of near elimination.

Upon its founding, the socialist regime started social transformation in rural areas with the land reform in early 1950s and then pushed for collectivization which shifted land ownership and control over production from individual households to collective brigades and communes. Collectivization greatly reduced the PCMP, as its material foundation – private land – was pulled from underneath it. Both the land reform and collectivization also helped to eliminate the landed gentry, the political and economic elite in pre-socialist China who gained their privileges from both the PCMP and TMP. Social stratification in rural China was effectively flattened – the Chinese countryside became a sea of small peasant households under socialism (Parish, 1984). Political status became a more significant dimension of hierarchy that set rural residents apart – in a way that reversed the previous hierarchy in rural society. As the communist party drew support and most of its low-level cadres from the poor peasant class in establishing new grassroots level governments in the countryside, the revolutionary state entrusted local power – and operation of surplus extraction – to political activists who rose among poor peasants. As a class, poor peasants gained not only economically through the redistribution of landlords' properties, but also politically the extractive power granted by the new state.

A similar social transformation also swept Chinese cities. Private properties of urban capitalists were seized by the state and private enterprises turned first into public-private joint ventures and then publicly owned enterprises. As in rural areas, the PCMP declined, first, because private properties were seized; second, for those hold-outs, as more resources began to be included in the central-planned redistribution, markets for industrial inputs and consumer products both constricted, further squeezing the space for the PCMP. The state's direct control over the increasing number of public enterprises strengthened the TMP, allowing the state to extract surplus from these state-owned enterprises (SOEs) and collective-owned enterprises (COEs) into the central-planned redistribution of resources for investment and consumption. Within the state sector, which dominated both the urban economy and labour force, the stratification was primarily based on an administrative hierarchy, with various work units assigned to different ranks and given different levels of operational autonomy and command over resources (Walder, 1992). Thus, similar to rural areas, the political hierarchy became the primary dimension of social inequality: the higher one's administrative position was and the more political power one's employer had, the more redistributive power one had and better benefits one received.

The strengthened TMP erected new hierarchies in its own mould. Hierarchies among different social groups based on their standings in the tributary mode of production intensified, especially between the rural-urban divide. The strengthened TMP increased the state's extraction of rural surplus, which was then invested in urban industries and social services, and created the rural-urban divide. To maintain a loyal and productive urban working class and also to keep urban consumption at a low level, the state provided social services to state workers in cities through the work unit system. In rural areas, many social services were also provided, such as basic healthcare and immunization, literacy education, public projects such as irrigation and road building, and as a result, greatly improved all kinds of human development measures. But, because of the inherent urban bias in the state-led industrialization model (i.e., transfer of rural surplus into urban investment), gaps in living standards between rural and urban areas persisted.

The socioeconomic inequalities between rural and urban areas, although created by the state-led industrialization model, had to be maintained by a politically defined status hierarchy that the state created between rural and urban residents. The existence of wide gaps between rural and urban living standards would have created a spontaneous city-bound emigration of rural residents, which would have threatened to both reduce surplus created in the agricultural sector and divert industrial investment into urban consumption. To prevent this and to keep rural producers staying within the reach of TMP, the state implemented strict residential control through the Household Registration

System (HRS), which separated rural and urban residents into two distinct categories of citizens.

Rural residents, without urban registration, were not only denied of urban employment opportunities, but also excluded from the rationed distribution of many basic consumption items, ranging from housing to cooking oil, making it highly difficult for any unauthorized migrants to survive in cities. Except for a few channels of mobility – all managed by the state – that allowed for some rural residents to move to and settle in cities, a highly rigid status hierarchy based on residential registration separated urban and rural residents.

Although rural-urban inequality is manifested through unequal access to economic resources, the mechanism that created it in socialist China was political: it was the residential status assigned by the household registration system – a political institution created by the socialist state – that both restricted rural residents to the state's extraction of surplus and excluded them from the social services and material provision in cities. The rural-urban divide under socialism was a status divide – in the Weberian sense that these were two segregated status groups. It was the politically defined status difference between rural and urban residents that then allowed the dominant mode of production, the TMP, to transfer surplus from rural to urban areas and create rural-urban inequality. This urban-rural divide became a long-lasting legacy of the socialist era.

3. Conceptualizing the Changing Rural-Urban Divide

To what extent the rural-urban divide has weakened and whether rural-urban inequality has declined or increased are still hotly debated topics. Overshadowed by these debates, however, is an important change: the source of rural-urban inequality is shifting from political to economic. The household registration system that used to create the differential statuses between rural and urban residents is, indeed, still in effect. However, its impact on people's life chances and living conditions has been considerably weakened.

The effectiveness of the household registration system in creating and maintaining the caste-like rural-urban divide is based on the tributary mode of production under socialism and the redistributive allocation of resources and opportunities it entailed. During the past three decades of reform, however, major changes have taken place in China that transformed the dominant modes of production. In the first half of the Reform Era (1978 to present), the centrally-planned, redistributive economy had remained in force and the dominance of the TMP intact. However, on the margins of the redistributive economy and the TMP, markets started to revive and expand. The PCMP, which had been suppressed and dormant for at least two decades, re-emerged; a new mode of production, the capitalist mode of production (CMP), also rose.

3.1. Changes in the Mode of Production

Self-employment activities were again allowed in both cities and countryside at the beginning of the Reform – although initially limited to hiring no more than seven employees (Sabin, 1994) – which started the revival of the PCMP. In rural areas, the decollectivization of agriculture, which devolved land use rights and control over production from collective communes and brigades to individual rural households, restored the household as the unit of production and consumption. Although many of these small farming households remained subsistence producers – producing for self-consumption – more and more were becoming commodity producers who produce both agricultural and non-agricultural goods for sale on markets. In the early years of the reform, rural residents were still within the reach of the TMP, subjected to the state's extraction of tribute in the form of obligatory grain quotas to be delivered to the state. But the floodgate was opened to allow them to engage in market-oriented petty commodity production – whether diversifying into non-farm employment or selling agricultural surplus on markets. Before long, the trickle of rural petty-commodity production turned into a gusher, especially in non-farm production.

The growth of rural non-farm employment took the forms of either collective township-and-village enterprises (TVEs) or small family-based enterprises. For the first 15 years of the post-socialist transition, the growth of TVEs and rural household enterprises became the main force that drove China's rural industrialization and transfer of labour from farming to non-farming jobs. As a result, the new rural economy resembled the pre-socialist formation, where both the TMP and PCMP existed. It also created a new dimension in rural social stratification: managers in TVEs, who were usually current or former village cadres, and the enterprising families became the new economic elite in rural society, accumulating wealth through market-based entrepreneurial activities that grew outside the reach of the TMP.

A novel development of the post-socialist era, especially from 1990s onwards, is the emergence and rapid rise of a genuine capitalist mode of production (CMP) in the economy. The CMP differs from the PCMP that had a long tradition in Chinese economy in one crucial aspect: its reliance on commoditized labour. A crucial landmark in the rise of the CMP in Chinese economy is the legalization of domestic private enterprises through a constitutional amendment in 1988, which gave protection to private properties and allowed the employment of eight or more employees. As a result, domestic private firms started to grow, and joined foreign invested firms, which first brought in the CMP, in expanding the CMP in the economy. The growth of CMP was further fueled by the privatization of collective rural TVEs and urban SOEs in the 1990s. The number of domestic private firms increased

sharply and some large-size firms emerged. In recent years, the domestic private sector has grown to one-third of the national economy, while foreign-invested private firms and state firms each takes another one third (Tsui, Bian and Cheng, 2006). With this rapid rise of the CMP, the transfer of surplus from commoditized labourers to capital owners emerges as a new and increasingly powerful process in creating social inequality and forming hierarchies.

Not surprisingly, the resurgence of PCMP and rise of CMP pushed the once dominant TMP into a retreat, as the reform opened up new markets and shifted more economic activities outside the reach of the TMP. Although property reform in the form of privatization of public firms did not start on scale until the late 1990s, the dismantling of the central planning system began at the outset of the urban reform and proceeded gradually. In the increasingly marketized urban economy, the state withdrew its direct tributary extraction from an increasing number of non-state firms. Even in state firms, more management autonomy and property rights were devolved from governments to the firms themselves. Since late 1990s, the accelerated pace of privatization in state sectors, especially of smaller-scale SOEs further reduced the scale of the state-run economy and restricted the reach of the state-managed TMP.

In recent years, however, after the initial period of retreat, the remaining large-scale SOEs, albeit small in number, have experienced a revival and helped to ensure that TMP remains a powerful force in the new economic system and in shaping social hierarchies. Protected by politically granted market monopoly and emboldened by the political power they hold within the state system, the remaining large SOEs are able to extract surplus from consumers in the form of monopoly rent. The corporate reform implemented in these SOEs and their participation in capital, labour and other markets, however, still transformed them from the traditional socialist state firms into a new breed of state firms. Both the CMP and TMP are at work in these state monopoly firms: the state monopoly capital simultaneously extracts surplus from workers on the basis of control of means of production in the CMP and extracts surplus from consumers in the TMP through monopoly rent created and protected by the state's political power.

In rural areas, the decline of the TMP also went through a period of retrenchment, but in recent years, has greatly accelerated. Although the reform allowed households to diversify into farm and non-farm productions outside the reach of TMP and gradually did away with state imposed mandatory quota of production, the intensity of the TMP expanded for a period of time. In the 1990s, the fiscal reform and the privatization and decline of TVEs severely reduced local governments' revenue sources; local governments had no where to turn but to ratchet up their extraction of surplus from rural households. As a result, besides the agricultural tax levied by the central government, various levels of local governments created a myriad of new types of taxes, levies,

charges, and corvée labour to extract surplus from rural residents (Bernstein and Lu, 2000). Excessive peasant burdens soon became a nationwide problem and led to the rapid deterioration of local governance in rural areas.

This trend was finally reversed when the Hu Jintao and Wen Jiabao administration came into office in 2003. In 2004, the agricultural tax was abolished nationwide and, with it, the central state's direct surplus extraction from individual agricultural producers. Furthermore, the central government also started a direct subsidy to farmers based on land size. The central government also implemented strict restrictions on the type and amount of taxes, levies and corvée labour that local governments can impose on rural residents. Although implementation varied across regions, the combination of these measures helped to curtail the power of the state-managed TMP in rural areas. At the same time, the central government also started to establish social welfare programmes in rural areas, bringing welfare services that had long been available to state employees in the cities finally to rural residents as well.

These programmes, such as the cooperative healthcare programme, in which rural residents, local government and central government each contribute a part to an insurance plan that covers locally based medical services for rural residents, of course, still fall far short in both the scope of coverage and quality of services provided when compared to urban welfare programmes. However, all these changes – termination of tax collection, implementation of direct subsidies, and establishment of subsidized welfare programmes – represent a fundamental shift in rural-urban relationship in China: instead of extracting surplus from rural areas to be invested in urban industries and consumers, as done under socialism, the central government reversed the surplus transfer and now begins to extract surplus from urban areas and fiscally transfer it to rural areas. If under socialism, the surplus transfer enabled by the TMP was the main force that created rural-urban inequality, then, with the decline of TMP in rural areas and the reversal of the surplus transfer, this main force of creating rural-urban inequality all but disappeared. Rural-urban inequality, of course, certainly has not vanished together with this old mechanism. Then, what is the new force that is creating rural-urban inequality in today's China?

3.2. New Source of Rural-Urban Inequality

I argue that in today's China, rural-urban inequality is mainly created by the surplus transfer within the CMP. While most rural residents specialize in agriculture, agriculture *per se* is not the cause of rural-urban inequality, but rather the mode of production in agriculture. Under collectivized agriculture in socialism, rural producers contributed labour to production, while land

and other means of production were controlled by the collective units; except for some marginal products harvested from the small private lots of land they retained, rural producers' income almost consisted exclusively of the compensation to their labour, minus the surplus extracted by the state and transferred to urban areas. In comparison, urbanites – at least those employed in state and collective work units – received not only compensation to their labour, but also a share of the surplus transferred from rural producers, in the form of both subsidized food prices and access to social services. Therefore, it is largely accurate to say that any urban employee was better off economically than any rural resident in the same region.

Agricultural production in today's China, in contrast, is now free from TMP, but dominated by PCMP and CMP. Decollectivization returned land rights to the hands of rural households; development of labour and land markets further allowed rural households to increase their scale of production. Many rural producers are thus able to shift from subsistence production to market-oriented production of commodity crops. Under this PCMP, household producers control their own land and other means of production and use household labour to produce commodities for sale at market-determined prices. Except for some surplus extracted by oligopolistic purchasers (mostly urban capital) of their products through unequal terms of trade, these independent commercial farmers in PCMP are not subjected to direct surplus extraction by either the state or other urban actors. Compared to urban proletarians who sell nothing but their labour to capital, these commodity farmers receive not only compensation to their labour – without significant extraction of surplus – but also return to their land and other capital investment. Economically, they are better off than many urban proletarians.

The CMP is also rising in Chinese agriculture. In capitalist agriculture, such as the corporate farms set up by agro-capital and the large family farms operated by entrepreneurial farmers, commoditized labour is employed by capital in agricultural production. This creates an extraction and transfer of surplus from agricultural labourers, who are employed in corporate farms or work as “disguised labourers” in contract farming, to capital owners, who are mostly located in cities. The entry of agribusiness companies into agriculture also brought in the industrialization of agricultural production through the increased use of industrially manufactured farm inputs, such as fertilizers, pesticides, herbicides, genetically engineered seeds, and farm machines. This created another potential channel through which the urban-based industrial capital can extract surplus from rural producers through unequal terms of trade between industrial and agricultural products.

This new mechanism that creates rural-urban inequality in today's China, although similar in its result, differs from the socialist creation of rural-urban inequality in one crucial aspect: instead of transferring surplus

and creating inequality between two status groups – as created by the politically defined residential status – this new mechanism transfers surplus and create inequality between two economic classes created by differing market situations: rural labour and urban capital. Although in its concrete manifestation, this new mechanism of surplus extraction generally transfers surplus from labourers with rural household registration to capital owners with urban registration, the difference in residential status between the two is, however, inconsequential. This transfer of surplus is not dependent on the registration status of the involved parties. In fact, there are many labour-hiring, entrepreneurial farm owners who have rural registration but accumulated enough wealth from the CMP to mainly live in urbanized areas. In sum, surplus is still transferred from rural to urban areas and rural-urban inequality continues to be created, mainly because in the new economic division of labour under CMP, capital is predominantly located in cities and extracts surplus from rural-located labour.

The TMP, which used to be the central mechanism of creating rural-urban inequality, now plays an ambiguous role with conflicting effects on rural-urban inequality. On one hand, fiscal transfer by the central government is in fact reversing the earlier trend and reducing rural-urban inequality; on the other hand, however, the large, monopolistic SOEs, which are exclusively urban based, are also extracting surplus from rural consumers to their urban headquarters, aided by their state-protected monopoly power.

4. New Patterns of Rural-Urban Inequality

Under socialism, the dominant mode of production – the TMP – was a political creation: the extractive power was based on political power of the state, in turning private properties into state properties, in controlling farmers' harvest, in disciplining labour, and in restricting rural residents' exit from state extraction. The hierarchies it created in the society, although had clear social and economic consequences, were primarily based on politically defined statuses. The society was a status-stratified society and the most important hierarchies in society were those based on different politically defined statuses: urban vs. rural registration and officials vs. commoners.

In the post-socialist China, both the PCMP and CMP experienced rapid rise. In these two modes of production, the extraction of surplus is based on economic ownership rather than political power. Even the TMP, which remains powerful, now also mixes with and draws on the CMP, in the hybrid form of state monopoly capital, in its operation. As a result, both the economically based PCMP and CMP and the politically based TMP coexist in a hybrid formation. Correspondingly, the stratification structure of the society also changes from comprising of primarily politically based status groups to a

mixture of status groups and economically determined classes, with the latter become increasingly significant.

In this emerging class structure, the rural-urban divide, which originated from a politically defined status differentiation under socialism, becomes increasingly blurred, as rural and urban areas are both integrated into the expanding market economy. In this section, I use empirical examples to re-evaluate rural-urban inequality from three aspects.

4.1. Inequality in Rural Areas

In rural areas, the class-based stratification is gaining ascendance. Under socialism, rural stratification used to be based on two factors: access to political power and demographic structure of the family. Since the 1980s, however, when, first, rural industrialization and then, rural-to-urban migration unleashed the massive transfer of labour force from agriculture to non-agricultural jobs, access to non-farm wage jobs has become the greatest source of household income inequality in rural China (Khan and Riskin, 1998). Families with political connection are still doing better; but most cadre families get higher income because they were able to use their political power to either secure wage jobs for family members or to venture into private entrepreneurship (Walder and Zhao, 2006).

In recent years, class-based stratification even started to emerge among agricultural producers. Most studies have found that, up until mid-1990s, income from farming is highly equitable among rural households in China (Riskin, Zhao and Li, 2001). This is mainly because land was distributed within a village in largely egalitarian manners. Another reason is that farming in general was not very profitable and could not generate much wealth even for families who have more labour and land engaged in farming. But profound changes have taken place in Chinese agriculture in recent years. First, the exodus of rural labour from agriculture and the ensuing increase in available farmland has spurred a spontaneous growth of rural land market that enabled the circulation of farmland among producers and allowed larger-scale farming to emerge. Second, the rising urban demand for non-grain foods also made commercial farming of high-value foods more profitable. As a result, new actors – in particular, entrepreneurial farmers and agribusiness companies – entered agriculture and started to organize agricultural production on larger scales with rented land and hired labour (Zhang and Donaldson, 2008). A new hierarchy – one that is determined in this emerging capitalist mode of production on the basis of one's economic position – is transforming what used to be a flattened and homogeneous peasantry class into a host of unequal class positions (Zhang and Donaldson, 2010).

In this new rural stratification structure, while political power still matters, it only takes effect through gaining more advantageous market positions – for example, providing privileged access to off-farm jobs, more land, managerial positions, or entrepreneurial opportunities. On the other hand, economic disparities between the new social classes in rural areas increased greatly. Private wealth and material comforts are no longer limited to cities, but are also widely available to the new economic elites in rural areas. The rise of these new economic elites in rural areas – including entrepreneurs and managers in rural industries and the independent commercial farmers and entrepreneurial farm owners in agriculture – makes any analysis of rural-urban inequality based on statistical averages nearly meaningless. To simply say that rural-urban inequality has increased as a result of the market transition is in itself a problematic statement, as both the rural and urban societies are heavily stratified.

4.2. Rural-Urban Disparities

Rural life is still considered by most people in China as undesirable compared to urban life. This, however, should not be interpreted as an indication of widening rural-urban inequality. The undesirability of rural life has a strong cultural dimension: rural areas, rural people, and the rural lifestyle are culturally undervalued and even stigmatized in Chinese society, especially among the younger generations who grew up inundated with messages from TV and Internet glamorizing the cosmopolitan lifestyles. In comparison, urbanism as a way of life is culturally valued. This cultural stigmatization of all things rural is at least partially rooted in the deep rural-divide and severe rural-urban inequality created during the socialist era. This cultural differentiation has a pushing effect independent of socioeconomic factors that drive many rural residents to migrate to cities, to pursue both expected socioeconomic gains and a cultural lifestyle. In other words, the massive migration of rural labour to cities, while much of it is indeed economically motivated by rural poverty and the greater opportunities for cash income in cities, is also partially culturally motivated; using this as a measure of the socioeconomic gap between rural and urban areas tends to exaggerate the real extent of rural-urban inequality.

Another commonly used method of comparing rural-urban disparities – income analysis – can also be misleading. Much of the consumption in rural life is self-produced, rather than purchased on market with cash. Furthermore, wealth, especially land rights, is not included in such comparison. Living costs in rural areas are also lower. When we include wealth and especially the control over means of production into the consideration, we can see that the majority of China's rural population belongs to the petty bourgeoisie class,

who owns their own means of production, control the production process, and use their own labour in production. While in some rural areas, the limited amount and low productivity of land has trapped farming families in poverty, in other areas, commercial farmers who have successfully shifted from subsistence farming to commodity farming are able to live in relative material comfort. Yet, most observers, when commenting on widening rural-urban gap in China's stratification structure, overlooked the fact that this large group of petty bourgeoisie in the rural population is in fact the backbone of the "middle class" in today's China and are in comparable socioeconomic positions as some of their urban counterparts (such as skilled workers).

4.3. Rural Migrants in Cities

The hardship that rural immigrants encounter in cities is often cited as evidence to show how the politically created status difference between rural and urban residents still shapes their life chances. This argument, however, requires closer scrutiny. In recent years, more policies helping the integration of rural migrants into cities are implemented across the country, albeit at different paces. The rural household registration *per se* is no longer a barrier that stops rural migrants from gaining access to urban services. On the contrary, access to urban services is now increasingly based on employment – in other words, one's situation on the labour market. Many services once reserved for urban residents with urban registration have been gradually opened to all or commercialized. Even schools in some large cities have opened their doors to rural migrants and charge them in the same way as urban residents. While some jobs still require urban household registration, they have become a small minority.

The hardship and exploitation typically endured by rural migrants working in cities is not caused by their rural household registration *per se*, but rather by their occupations and the disadvantaged positions they occupy in markets. From this perspective, we can generate two testable hypotheses: first, urban residents in unfavourable market situations will not be better off than rural migrants in similar situations; and second, rural migrants who are in favourable positions in labour and housing markets are better off than urban residents in less favourable market positions.

While I do not have systematic data to test these hypotheses yet, one comparison helps to illustrate the point: that between the "ants" and the rural landlords in villages-in-the-city. "Villages-in-the-city", or *chengzhongcun* 城中村, refer to rural villages encircled by the expanding city. Residents in these villages still have rural registration status – and thanks to that, property rights of land and houses located in these urban "villages". These property rights place them in an advantageous economic position as urban landlords

and allow them to live in great material comfort on rents and to become the envy of many urbanites. On the other side of the equation, many well-educated urban residents – college graduates in Beijing, for example – find themselves in disadvantaged positions in both labour and housing markets. Their situation has given rise to a new social phenomenon: the “ants” or *yizu* 蚁族, i.e. people who, like ants, struggle in low-paying, unstable jobs and live in cramped quarters – oftentimes rental houses located in peri-urban villages and villages-in-the-city and owned by “rural” landlords. Clearly, for parties involved in this confrontation, the more important divide is not whether one has a rural or urban status in the political scheme, but whether one owns a property or not in the economic market. This case shows that, when rural residents manage to occupy advantageous positions in the economic system *vis-à-vis* urban residents, the urban-rural hierarchy can be reversed, without changing the political status that used to define rural and urban statuses.

Many commentators have noted that rural migrants to cities often have to go back to their home villages for social reproduction and have used this as evidence to show how the politically defined rural status still limits migrants’ chances in cities. However, what has been less noticed is that many young urban residents also have to delay or even forego their social reproduction simply because they do not own a property to house the to-be-formed new family. The reason for this has little to do with the political status, but more to do with one’s economic condition.

As the institutional barriers erected under socialism to help maintain the TMP and transfer of rural surplus into urban industries were gradually dismantled, urban lives were no longer dependent on the rationed allocation of consumer goods and social services, tied with employment in work units and urban registration. In the past three decades, hundreds of millions of rural residents have migrated to cities – to either work temporarily or settle permanently. These rural migrants are indeed still poorly treated in cities, stigmatized by urbanites, and had difficulties in getting good jobs or permanently settling down; but these difficulties they encounter in cities, which are also faced by urban migrants, are increasingly the result of their disadvantaged economic positions in the CMP and PCMP, especially in labour and housing markets, and less the result of a politically defined rural status.

5. Conclusion and Discussion

Under socialism, the “rural” status was defined not because of one’s occupation in agriculture in the economic division of labour, but because of one’s position in a political classification – the household registration system. This rural status then simultaneously subjected one to the extraction of surplus under the TMP and excluded one from receiving transfer of surplus in the

form of all kinds of urban social services. But nowadays, the rural registration status no longer has such an effect: rural producers are not only freed from the extraction by the central government, but also receive direct transfer of surplus in the form of farming subsidy. They can also freely migrate to cities and have gained access to many urban services.

Rural areas are still generally poorer than cities, but not because they are politically subjected to the tributary extraction by cities, but rather mainly because of their specialization in the less profitable agricultural production in the economic division of labour, which occupies a peripheral and subordinate position to the manufacturing and financial industries in cities. When a rural area upgrades its economy from agriculture into manufacturing, as many rural villages in peri-urban locations did all over China, but particularly in coastal regions, it quickly improves its economic prosperity to a level comparable to similar urban areas, without ever changing its politically defined “rural” status.

In rural areas, the strong institutional protection of small farmers’ land rights and intrinsic barriers in agriculture against the penetration of capital provide stronger foundations for the survival and even growth of petty-commodity producers in agriculture. In the urban economy, in contrast, petty-commodity producers face increasing competition from big capital and declining profits in the production process; in the consumption process, they also face rising reproduction costs driven by the pursuit of monopoly rents by both big capital and the state. Proletarianized urban workers who are exposed to the brute forces of markets are in even worse conditions. Compared to agricultural petty-commodity producers in rural areas, they may find that the social status they enjoy as urban residents, which used to put them in enviable positions in the status hierarchy under socialism, now provides little material comforts and is dwarfed by the economic disadvantages they confront in their low positions in the new class hierarchy.

The re-evaluation of the rural-urban divide in today’s China also prompts us to re-think about the nature of rurality in China: What constitute rural? Under socialism, what constituted rural in China was mainly defined by the politically created status of having rural household registration. Most of the rural residents were also engaged in agricultural production, but that occupational specialization – although overlapping largely with rural status – was not the factor in determining rurality. Some rural residents had the chance to work as temporary labour in factories in cities, but they were still considered by all – urbanites, the state, and rural residents themselves – as “rural people” (*nongcunren* 农村人), as their politically defined status excluded them from access to urban amenities and from settling down formally in cities. In some sense, the agricultural occupation was more a result of the rural status than a determinant of it. It was the rural household

registration that excluded them from cities and urban employment and services, restricted rural residents in the agricultural sector, and subjected them to surplus extraction and transfer by the state-managed TMP.

In contrast, in today's market economy in China, where household registration is no longer a barrier that stops rural residents from migrating to cities to find jobs and settle down, rurality can no longer be so unambiguously defined on political status. Instead, I think it is more sensible now to think of rurality as based on a specialization in agriculture in the economic division of labour. Rural is the place where the biological process of agricultural production is conducted, because of its land-based nature, but this production process is increasingly integrated into the chain of industrial production controlled by urban capital. Rural areas specialize in natural production in the economic division of labour of the industrialized production of foods, which, due to its peripheral position to industries and the increasing control by urban capital, subjects itself to the surplus extraction by capital based in cities.

Note

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