

# One Country, Two Societies

Rural-Urban Inequality  
in Contemporary China

Edited by

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## 1 | The Paradoxes of Rural-Urban Inequality in Contemporary China

*One Country, Two Societies: Rural-Urban Inequality in Contemporary China* reports new research on the nature, extent, and sources of inequality between all things rural and urban in contemporary China. This introductory essay explains why this volume, and the conference on which it was based, may have something new and important to say about the nature of the world's most populous and dynamic society. Despite a substantial literature examining aspects of village life, cities, and rural-urban relations in China in both the Mao and the post-Mao eras, important myths, unexamined assumptions, and puzzles remain.<sup>1</sup>

It is now clear that the revolution led by Mao Zedong, which has conventionally been 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 percent of the population residing in rural villages who were effectively bound to the soil. Despite some weakening of the bondage and discrimination faced by rural residents in recent years, China is still struggling with the legacy of the system created during the 1950s. That a peasant army led by a son of the soil, Mao Zedong, established what might be called “socialist serfdom” for rural residents is one 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 this development varies from the dominant view of inequality trends in China since 1949.

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

Arguably, China experienced two dramatic social revolutions after 1949: the socialist revolution launched by Mao Zedong and his colleagues during the 1950s and the market reforms and dismantling of most socialist institutions spearheaded by Mao's former lieutenant, Deng Xiaoping, after 1978. Both transitions involved fundamental reorganizations, with China's citizens buffeted and challenged by having to abandon and renounce former ways of life and embrace a new social order—socialism after 1955 and, after 1978, something that has come to look increasingly like capitalism.<sup>2</sup>

What impact did each of these social revolutions have on patterns of social inequality in China? The conventional discourse provides a straightforward answer to this question. In that discourse Mao and his colleagues came to power in 1949 dedicated to attacking the vast inequalities of the previous "feudal" society. Through class struggle and the creation of socialist institutions in the mid-1950s, they created a more egalitarian social order. Inequalities based on property ownership, ties to foreign countries and firms, and elite family backgrounds all disappeared in the face of a new socialist order in which everyone depended on some form of wage employment in state-run or state-controlled enterprises (including farmers in China's form of collectivized agriculture, with wages in the form of work points).

However, the struggle for social equality did not end there. After 1958, when Mao looked at the society that he and his colleagues had created (a creation based in large part on copying the socialist institutions of the Soviet Union), he became concerned that there was still too much social inequality and excessive individual and family pursuit of material gain (rather than of moral/political goals). In response to this concern, and with the way prepared by denunciations of "revisionism" in the USSR,<sup>3</sup> in 1966 Mao and his radical followers launched the Cultural Revolution. That mass campaign had many complexities and struggles, but one important aim was to transform Chinese society into an even more egalitarian society by eliminating many remaining material rewards and differentials.

As a result of Cultural Revolution changes, China in the closing years of Mao's rule appeared to be an extraordinarily egalitarian society, with minimal variation in styles of dress, housing quality, consumer possessions, and other indicators of social inequality. Indeed, some of the measures taken to combat and even reverse social inequality—such as the mobilization of millions of urban educated youths to settle in the countryside and take up farming in the decade after 1968 and the use of teams of ordinary workers and peasants to manage reopened schools and universities—were unprecedented. Thus in the conventional view the combination of the socialist transformation of the 1950s and the Cultural Revolution launched in 1966 made China an unusually egalitarian social order by the 1970s.

However, the conventional discourse also stresses that this energetic promotion of a more equal society had severe social and economic costs. Many of China's best and brightest were attacked and intimidated and, in many cases, even imprisoned or driven to suicide. At the same time, individuals who came from "revolutionary" social origins and were activist promoters of Mao's vision, or who were simply doggedly loyal to their radical political patrons, were given authority to make decisions and manage the lives of their fellow citizens. The pursuit of social equality thus interfered with and undermined the goals of promoting economic development, production efficiency, and professional competence. In other words, Chinese society of the late Mao era was "too equal" and thus fundamentally inequitable, in the sense that variations in skill, effort, and responsibility and thus in contributions to society were not properly acknowledged or rewarded.<sup>4</sup> If that was the case, then China's leaders, in their drive to kick-start the Chinese economy after Mao's death, had good reason to reverse gears and renounce Maoist egalitarianism, which is precisely what Deng Xiaoping and his colleagues proceeded to do after 1978.

In the conventional view, contemporary China's second social revolution, launched in 1978, has involved a fundamental shift in priorities from promoting social equality to promoting economic growth. In the pursuit of growth, socialist institutions have been dismantled, market coordination of economic activity has been promoted, foreign and domestic private ownership have once again been allowed, and in general any measures that are seen as promoting foreign direct investment, increasing export sales, and raising living standards are encouraged by the state,

regardless of the impact such changes have on social inequality (at least until relatively recently).<sup>5</sup> One result of this second social revolution (counterrevolution?) is that China's economic growth since 1978 has been extraordinarily rapid, averaging close to 10 percent a year for three decades and producing dramatic improvements in the average living standards of Chinese citizens. However, at the same time China's society has gone from being unusually egalitarian to very unequal, with widening cleavages revealed not only in income distribution statistics<sup>6</sup> but also in dramatic differences in clothing, housing quality, access to medical care, vehicle ownership, and many other realms. So the conventional wisdom concludes that China's second social revolution, launched in 1978, transformed China once again into a very *unequal* society.

Although there is a certain amount of truth in this conventional account of patterns and trends in social inequality in post-1949 China, in some respects it is oversimplified and in others it is dead wrong. The conventional interpretation can be faulted for failing to examine and understand the nature of socialist institutions as well as for failing to fit the observed reality of trends in rural-urban inequality in China.

At the root of the conventional account are basic assumptions that are rarely questioned—assumptions that socialist institutions work to promote social equality even if they may not be very efficient economically and that, in contrast, market institutions tend to spawn increasing inequality even if they promote economic productivity. These are the assumptions used to justify welfare state programs in Western societies: capitalism by its nature generates more inequality than socialism, and it is the responsibility of governments to counteract and soften the inequalities that capitalist markets tend to generate—for example, by employing income redistribution and welfare benefits targeted at the poor and disadvantaged. These welfare state policies of the government help avoid the danger that rising inequalities generated by market competition will translate into social protests and even revolutionary challenges to the system. Almost by definition it is assumed that when the government intervenes, the goal is to reduce inequalities. In a society in which the government dominates all spheres of social life, as in China's centrally planned socialist system before 1978, it is therefore presumed that social equality would as a matter of course be promoted very systematically.

In reality, socialist institutions and the role of the state in a socialist society do not inevitably and everywhere foster increased equality.

Rather, state socialism means that differential property ownership and market forces are removed as the primary generators of social inequality and are replaced by the policies and priorities of the planners and bureaucratic decision makers of the centrally planned socialist system.<sup>7</sup> There are no substantial market forces operating to create inequality that have to be overridden by state actions. However, whether planners and other bureaucrats adopt and implement policies that foster equality or generate inequality depends on their goals, priorities, and perceptions of societal needs. The result may be that in a socialist society the state (that is, the bureaucratic arm of leaders and planners) may implement policies that *aggravate* rather than reduce existing social inequalities. So specifying the role of the socialist state in counteracting or aggravating any particular inequality is an empirical question, not something that can be assumed almost by definition (socialism = equality).<sup>8</sup>

The second major criticism of the conventional discourse is that it does not 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 chapter, 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 versus urban residents diverged sharply under the socialist system that Mao and his colleagues created, producing a caste-like division that did not exist before 1949. Thus socialism in the Mao era produced a fundamental aggravation of the rural-urban cleavage, not the reduction implied by the conventional discourse. This is the first major paradox the present volume examines: how and why did China's rural revolutionaries in actual practice institutionalize such extreme forms of rural-urban inequality?

Since 1978, in China's second social revolution, the picture is more complicated. In some respects the rural-urban cleavage has been weakened and reduced, although in other respects it appears to have widened still further.<sup>9</sup> Most of the chapters in this volume are devoted to examining specific aspects of the rural-urban gap in the post-1978 period in order to draw conclusions about both the current size of this gap and whether it is widening or being reduced over time. 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 and replaced by market distribution. Most theories lead us to expect that where markets are dominant, individuals should be hired and promoted primarily because of their education, talent, experience, and other personal qualities, rather than because of the ascribed social category to which they belong.<sup>10</sup> Yet there is still not much sign that rural origins are declining in salience in China today. This institutional inertia poses a second major paradox for the researchers represented in this volume: 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 form of socialism?

This inertia contrasts sharply with what happened to another very important caste-like division created by Mao-era socialism. All Chinese families were classified in the early 1950s into class-origin categories based on their economic standing, property, participation in labor, and other characteristics before 1949. These categories (for example, 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 a person's class label, by then based on past history rather than on current social position (for example, those with landlord labels had not owned any land since before 1953), had a strong influence over whether that person was favored or discriminated against in many spheres of life (access to higher education and good jobs, entry into the Party or the army, whom he or she could marry, and so on).<sup>11</sup> In 1979 China's reformers declared this system of class labels outmoded and harmful, required that they be removed from personnel dossiers and other identity documents, and forbid favoritism and discrimination based on 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>12</sup> Nothing comparable has occurred to China's rural-urban caste system. The present volume addresses the puzzles surrounding the durability of the caste-like division of China's rural and urban citizens in reform-era China in the midst of so much hectic change on other fronts.

The remainder of this chapter presents a brief summary of the specific policies and institutions that created something akin to "socialist serfdom" for rural residents in the Mao era, as well as 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. That discussion is followed by a brief overview of the chapters included in this volume.

### The Mao Era: The Institutionalization of a Sharp Rural-Urban Cleavage

In late imperial times, and continuing after the 1911 revolution, China was anything but a "feudal" society. Although the economy was based primarily on agriculture, and more than 80 percent of China's population lived in rural areas, there were few legal or institutional barriers to geographical 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. 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 and income in a city could readily submit to registration, rent or buy housing, and in general become a settled urbanite, although he or she could perhaps retain a strong sense of being an urbanite from a particular rural place of origin and therefore be different from neighbors from other places.<sup>13</sup> By the same token there were no aristocratic entitlements (outside of the imperial family before 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 Chinese Communist Party (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, consisting largely of rural recruits and heretofore confined to relatively inhospitable rural base areas, moved

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, on their own accord, flooding 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.

From the outset China's revolutionary leaders were worried about their ability to control and manage China's cities, which until the late stages of China's civil war had been controlled by Chiang Kai-shek and the Kuomintang (and 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 did not serve national interests. They launched targeted attempts to pressure certain groups of migrants to return to the countryside.<sup>14</sup> Only after the socialist transformation of the economy and the introduction and elaboration of a range of additional control institutions during the 1953–1958 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 shortage of urban factories. After the collapse of the Leap, there ensued a mass deportation to the countryside on roughly the same scale. So it was only around 1960 that the “invisible walls” Mao and his colleagues had created around Chinese cities slammed shut their doors, effectively eliminating virtually all further rural-to-urban migration until the reform period.<sup>15</sup>

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.<sup>16</sup> 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. 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>17</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 order to industrialize 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 reverse mass migration.<sup>18</sup>

Because 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, medical care, rationed allotments of food and consumer goods, and a broad range of benefits (such as paid maternity leave, disability pay, and retirement pensions), a combination one scholar refers to as the “urban public goods regime.”<sup>19</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>20</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>21</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 was not entirely bleak during the Mao period, because the state expended considerable effort to foster a variety of 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,” 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 in agricultural affairs were less successful (as in the limits placed on crop diversification and free marketing of the 1970s) or even disastrous (as with the Great Leap Forward of 1958–1960 with its 30 million or more excess deaths, almost entirely a rural phenomenon). The result was a widening of the gap in incomes and standards 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 poverty.<sup>22</sup>

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 as well as foster chain out-migration to share new opportunities. In some

cases they eventually return 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 became bound to the soil through a combination of institutions centering on China’s system of household registration—the *hukou* system about which so much will be said later in this volume.

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 to urban areas. 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 sectors not simply areas of different economic priorities, but lower and higher castes.

At birth an individual inherited the household registration status of his or her mother (although China is a thoroughly patrilineal society by tradition)<sup>23</sup> and was classified as agricultural or nonagricultural, as well as by the level of city for anyone with nonagricultural *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 homes and villages of their grooms), but not upward. Permission to migrate upward in the system was granted only if the urban destination gave bureaucratic approval in advance, and that was granted only in relatively rare and special situations (for example, admission to an urban university, service in and then demobilization from the army as an officer,<sup>24</sup> or in a situation in which 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 returning to their places of origin.<sup>25</sup> The burden of accommodating “rusticated” urbanites was an additional hardship for China’s villages. Through such “rustication” mobilizations, China’s cities could remain relatively lean

demographically and economically, with virtually all able-bodied adults fully employed, as villages became places of concentration of the unemployed and underemployed.<sup>26</sup>

It was next to impossible for a determined rural resident who ignored the rules and wanted to move to the city without bureaucratic permission to do so. 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. 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>27</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 obtained medical care through clinics and hospitals affiliated with their work organizations or neighborhoods, and they were referred to these clinics and hospitals 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, again, at least a local urban registration and perhaps other qualifications were needed (along with cash) 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, and so on. As a result of these extensive regulations and rationing, it was extraordinarily difficult for someone from a rural area, or even from a town or smaller city, to stay for any period of time in a Chinese city.<sup>28</sup> The rigidity of these institutional arrangements, and their strict enforcement, 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.

### The Reform Era: Plus Ça Change?

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 the frenzied pursuit of economic development along lines similar to what had occurred earlier in Japan, Taiwan, and South Korea. These reforms, many of them discussed in the chapters that follow, have changed many 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 end of collective farming (in the period from 1978 to 1983) 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 (the latter phased out recently, as noted below) on their contracted land, they can experiment with new crops, start a business, or even leave to seek work elsewhere. Although China's authorities have a strong preference that "elsewhere" be restricted to village factories or jobs in rural towns, migration to distant locales and large cities has now become 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 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 consumers in 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 in poverty. Indeed, the fact that China's rural reforms took off earlier than the reform of the urban economic system (generally in the late 1970s, rather than after 1984) contributed to a shrinking of the income gap between China's rural and urban residents during the first half of the 1980s (see Figure 5.1).<sup>29</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, and 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 some 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.<sup>30</sup>

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 many more. By the early 1990s 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 most of the migrants initially 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 street-corner commerce.<sup>31</sup> However,

the rapid growth of new factories and businesses, many of them based on foreign or private ownership, produced a rise in 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, who were willing to work for modest wages and in many instances had had 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 reform of state enterprises accelerated and with large numbers of employees of such firms laid off or threatened with firm closure, rural migrants increasingly were competing with urban residents for employment opportunities.

Despite the expansion of opportunities for rural migrants in the cities, the situation is still very far from equal opportunity for all Chinese citizens. The key point is that the vast majority of rural migrants seeking opportunities in Chinese cities still retain their agricultural and nonlocal 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 employment and housing in low-level cities (at the township level starting in 1984 and at the county level after 1994), they can apply to obtain nonagricultural *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 nonagricultural *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, some 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.<sup>32</sup>

As the intermediate caste in this conception, migrants have access to many more opportunities than the rural kin they leave behind. However,

on many different fronts they are subject to inferior treatment and discrimination by both urban *hukou* holders and urban authorities, 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 so they can pay substantial fees and deposits 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 (or have their children attend school back in their villages). From time to time, urban authorities have bulldozed 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>33</sup>

For their part many if not most urbanites continue to regard villagers as well as urban migrants as uncultured, backward, and, in general, less civilized than urbanites,<sup>34</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 a number of scholarly studies note the striking parallels between the treatment of China's floating population and illegal immigrants in the United States and also with the former apartheid system in South Africa—ironic parallels given the fact that migrants are Chinese citizens supposedly entitled by their constitution to equal treatment.<sup>35</sup>

Nonetheless, compared with the Mao era, the present situation can be viewed as progress, because China's rural citizens are no longer bound to the soil like serfs. By the same token, however, it is somewhat misleading to view current migrants as a separate caste. The barriers facing a villager who wants to become a migrant are modest and mainly financial and logistical, rather than legal, but the barriers facing either villagers or migrants who want to become urban citizens remain much more substantial.<sup>36</sup> Viewed in this light, migrants and villagers are distinct subgroups or strata within China's subordinate rural caste, while urban citizens

continue to occupy a higher caste position. At present it remains more accurate to view Chinese society as divided into two, rather than three, rural-urban castes.

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 often constitute 30 percent 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 percent at that time to roughly 65 percent or less today. If we focus on the nature of work rather than residence or *hukou* status, then early in the twenty-first century China reached a milestone, with less than half of the total labor force dependent on farming.<sup>37</sup>

It is generally acknowledged that migrants have played a vital role in the economic revitalization of the Chinese economy since 1978 and of the economies of Chinese cities in particular. Migrants provide vital labor and services on 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 remaining 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 may return to the village with new skills and resources they may use to start businesses to enliven the local economy.<sup>38</sup>

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 on agriculture, despite the large size and pressing development needs of the rural sector. 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. To pursue their ambitious agendas, many local governments levied a large number of local taxes and fees in order to meet such obligations (not 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>39</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 nonagricultural 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 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, and total TVE employment has been fairly stagnant since, rising to only about 140 million in 2003. 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>40</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 entire rural villages, to become very prosperous. 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 to other societies. (The size and sources of

that gap early in the twenty-first century are the focus of the chapters in Part II of this book.) The combination of state favoritism toward cities and industry on the one hand, and the continuation of institutionalized discrimination toward China's rural citizens through the *hukou* system on the other hand, have apparently 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, because rural residents are neither bound to the soil as they were in the commune system 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.

### Signs of Change? New Policy Initiatives in the Twenty-first 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, two developments early in the new century provide a glimmer of hope that the institutions that have promoted such a sharp cleavage between rural and urban may eventually be reformed and the gap reduced. 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. As it is too early to know whether these new initiatives will be followed by sufficient administrative implementation and new resources to finally overcome the wide cleavage between rural and urban that has characterized Chinese society since the 1950s, only a sketchy overview of some of the new initiatives will be presented here.

Conventional accounts of Chinese policy shifts are customarily framed in terms of the primary CCP leader in charge in different periods since the reforms were launched: Deng Xiaoping in 1978–1989 (but with considerable control and influence until his death in 1997),<sup>41</sup> Jiang Zemin in 1989–2002, and Hu Jintao since 2002. Already toward the close of the period of Jiang Zemin's leadership, the CCP decided to shift economic development priorities away from the previous primary emphasis on coastal development 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>42</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, which assumed command after 2002. Hu has warned against the danger of social unrest—particularly in China’s villages—and is promoting the slogan of China becoming a more “harmonious society.” 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. At around the same time, experiments were launched to reintroduce a network of cooperative medical insurance systems in rural villages to reduce the barrier to obtaining treatment posed by medical fees. Also, various localities in China are experimenting with introducing a minimum income subsidy system for poor rural families (along the lines of the *dibao* system implemented earlier in Chinese cities),<sup>43</sup> as well as modest cash old-age payments to rural parents who do not have a grown son to support them.

The picture is not entirely upbeat, because rural areas in recent years have been wracked 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. Indeed, an increasing number of rural residents are losing their land to encroaching cities and urban developers without obtaining the full urban citizenship and job opportunities they had been led to expect in return. Still, the range of recent policy initiatives designed to marginally shift priorities and resources toward China’s rural areas seems a hopeful sign.

The other area of hopeful developments that could redress the rural-urban cleavage involves a rethinking of China’s *hukou* system. Increasingly since the mid-1990s, Chinese authorities as well as intellectuals have recognized the fundamental unfairness of China’s *hukou*-based caste system as well as the way in 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 media and on the Internet. Discussions have been aired about the need to promote a general sense of citizenship for all Chinese, regardless 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. Some 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*. 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. At the time of this writing, these efforts are in an early stage and apparently still face stiff resistance from entrenched urban interests.<sup>44</sup> Indeed, in Chapter 15 Fei-Ling Wang points out that there have been multiple waves of proclaimed reforms designed to abolish the *hukou* system’s injustices, each of which has passed with only minimal impact. There remains considerable fear that if *hukou* restrictions are removed, and particularly if this is done too suddenly, Chinese cities could be swamped by tidal waves of additional migration from rural areas, posing a serious threat to social and political stability. Nonetheless, the increasingly open debate and new initiatives launched in recent years provide some hope. Though the caste-like division the *hukou* system perpetuates has survived three decades of market reforms, perhaps its days are numbered.

### Plan for the Volume

Most of the remaining chapters in this volume are revisions of papers presented at a conference held at the Fairbank Center for East Asian Research at Harvard University in October 2006. These chapters are organized into five parts, each of which is designed to address a particular aspect of the evolution and current operation of the rural-urban cleavage in contemporary China.

Part I provides broader contexts within which to place the subsequent chapters dealing with contemporary rural-urban relations in China. One issue is whether the relatively sharp, caste-like division between rural and urban Chinese today—a division that is the focus of the rest of the

volume—should be regarded as a continuation of, or as a break with, the patterns of urban-rural relations in China in earlier centuries. Drawing on memoirs and other sources mostly from late imperial and Republican times, Hanchao Lu argues in Chapter 2 that most Chinese in earlier times tended to favor small towns and village life over large and congested cities and moved easily back and forth between the two. Hanchao Lu suggests that the current wide status gap between town and countryside is mainly a post-1949 development, a view echoed earlier in this chapter. A related issue is how to place China in the context of conceptions of citizenship and the development of citizenship rights in other societies. Chapter 3 by Wu Jieh-min is a thoughtful examination of the nature of China's *hukou* system through the lens of general theories of citizenship, offering observations about the prospects for, and obstacles to, extending full citizenship rights and treatment to rural residents and migrants.

Part II of the volume includes two chapters by economists that examine the size and trend of the difference in incomes between rural and urban residents in China in recent years. Although past research has documented the very large and widening gap in incomes between Chinese urbanites and villagers since the 1980s, there are contentious debates about many of the specifics, as well as about technical but important issues, such as how to measure Chinese household income in the most meaningful way. These two chapters represent the state of the art by researchers who have been at the forefront of research on this topic. Both Chapter 4 by Terry Sicular, Yue Ximing, Björn Gustafsson, and Li Shi and Chapter 5 by Li Shi and Luo Chuliang utilize data from the China Household Income Project Surveys, national studies conducted in 1988, 1995, and 2002 that were designed to be more comprehensive and accurate than the income surveys regularly reported by China's National Statistics Bureau. However, the two chapters differ in the modifications that they introduce. The chapter by Sicular and colleagues takes into account regional variations in costs of living (generally higher in cities) and includes income figures for urban migrants (generally lower than the incomes of urban residents), adjustments that somewhat *reduce* estimates of the size of the urban-rural income gap in 2002. The Li and Luo chapter makes another kind of adjustment, including estimates of the income equivalent value of subsidies in kind enjoyed by some Chinese citizens (much higher for urban residents). This adjustment leads to an *enlarging*

of the estimated gap between urban and rural incomes. The chapters in this part give us an improved picture of the sources and nature of the contemporary income gap between urban and rural China while sharpening the debate about the specifics.

Part III consists of four chapters designed to examine other aspects of rural-urban inequality besides household income. Chapter 6 by Emily Hannum, Meiyang Wang, and Jennifer Adams focuses on the gap in access to primary and secondary schooling between rural and urban China in recent times. In a similar analysis, Winnie Yip examines the gap in access to, and funding of, medical care between rural and urban China in recent years. In both the education and the health realms, substantial gaps remain, with minimal signs of progress toward rural-urban equality, although perhaps with more improvement in the health gap than in the schooling gap. In Chapter 8 Rachel Murphy examines the pattern of the spread of information technology into the Chinese countryside—is the “digital divide” between China's rural and urban residents growing or shrinking? In the realm she considers things look a little more hopeful. Although urban residents earlier had a huge advantage in access to wireless phones, the Internet, and other communications technologies, in recent times the rate of access in rural areas has been growing more rapidly than in urban areas. In Chapter 9 Li Limei and Li Si-ming focus on a different dimension of inequality—where people actually live (as opposed to where they are registered) in China's increasingly complex urban landscape and how household registration status, income, and other factors shape who lives in the most and least desirable neighborhoods. Together these four chapters help us move beyond the customary focus on income in discussing the contours of rural-urban inequality in China today.

Part IV includes four chapters that focus on the subjective side of rural-urban inequality in China and the experience of discrimination, particularly as felt by urban migrants. Wang Feng's chapter uses national survey data from 2004 to examine how fair or unfair urbanites, migrants, and rural residents believe current rural-urban inequalities and institutionalized preferences for those with urban *hukou* to be. Chapter 11 by Lei Guang and Fanmin Kong utilizes ingenious quasi-experimental data to compare and contrast the discrimination experienced both by migrants and by women in China's emerging urban labor markets. Arienne Gaetano's chapter covers the same terrain of discrimination experienced by

migrants and women in Chinese cities today, but examined now through rich ethnographic information on the trials and tribulations of a pair of migrant sisters she interviewed and observed over several years and stints of fieldwork. The final chapter in this part, by Xiaojiang Hu and Miguel Salazar, takes us to the far periphery of China and examines the experience of Han Chinese migrant small business operators in Lhasa, Tibet. The subjects of their study, although members of the dominant Han ethnic group, nonetheless experience much the same low status and stigma experienced by migrants in more-developed Chinese cities. Apparently the disadvantages of being a migrant outweigh the advantages of being a member of the ruling ethnic group. The analysis by Hu and Salazar is especially poignant in view of the ethnic riots that broke out in Tibetan areas of China in March 2008, in which many Han Chinese small businesses and business operators were the targets of violence unleashed by angry protestors.

The final part of this volume, Part V, examines recent conceptual and policy debates within China regarding the status and treatment of rural residents and urban migrants. In his second appearance in this volume, Lei Guang discusses the politics that have led to the current low status of all things rural in China, concluding with some thoughts on what policy and institutional changes would be required to redress rural neglect and disadvantage. Fei-Ling Wang, the author of an important 2005 book-length study of the operation of China's *hukou* system,<sup>45</sup> provides a concluding chapter on the politics of changing *hukou* policy in the PRC in the last few years, with thoughts and some rather pessimistic conclusions on whether the sharp rural-urban cleavage that was institutionalized during the period of Mao's rule can be eliminated in the future.

Taken together, the chapters in this volume provide new ideas and at least partial answers to the two paradoxes and one speculation that originally motivated the conference at which most of them were initially presented:

- How did a revolutionary regime dedicated to the promotion of social equality create institutions after 1949 that in fact produced a form of "socialist serfdom" for rural residents, with a resulting extraordinarily large rural-urban status cleavage?
- Why have the institutions of China's caste system, a product of socialist institutions, not crumbled despite three decades of hectic

market reforms, leaving rural residents and urban migrants still severely disadvantaged and stigmatized?

- What are the signs that the extraordinarily durable system of institutionalized favoritism and discrimination embodied in China's *hukou* system may be finally weakening, producing hope that in the future the legacy of socialist serfdom will eventually be overcome?



## Notes

### 1. The Paradoxes of Rural-Urban Inequality in Contemporary China

1. Past studies of note on these topics include Rhoads Murphey, *The Fading of the Maoist Vision: City and Country in China's Development* (New York: Methuen, 1980); Sulamith Potter, "The Position of Peasants in Modern China's Social Order," *Modern China* 9 (1993): 465–499; Mark Selden, "City versus Countryside? The Social Consequences of Development Choices in China," in Mark Selden, ed., *The Political Economy of Chinese Socialism* (Armonk, NY: M. E. Sharpe, 1988); Kam Wing Chan, *Cities with Invisible Walls* (New York: Oxford University Press, 1994); Dorothy Solinger, *Contesting Citizenship in Urban China: Peasant Migrants, the State, and the Logic of the Market* (Berkeley: Univ. of California Press, 1999); and Fei-ling Wang, *Organizing through Division and Exclusion: China's Hukou System* (Stanford, CA: Stanford Univ. Press, 2005).
2. Although the Chinese Communist Party gained national political power in 1949, they preserved a mixed and predominantly petty capitalist economy until the socialist transformation campaign was launched in 1955, so that a centrally planned socialist system was not fully in place until 1956. By the same token, although the launching of market reforms and the dismantling of the institutions of centrally planned socialism began in 1978, this second social revolution was implemented in gradual stages, so that China did not achieve a primarily market-oriented and therefore de facto capitalist economy until the latter half of the 1990s. Note that the Cultural Revolution launched in 1966 is not treated here as a comparable, third social revolution, because for all of its disruption and tumult, the institutional changes introduced were much more limited and temporary than either the changes of 1955–1956 or those after 1978.
3. Revisionism—that is, revising Marxism—was the political epithet used by Chinese polemicists in the 1960s and 1970s to claim that the USSR was only nominally socialist but under the surface little different from a capitalist society; they

- based this claim on the fact that patterns of income distribution, inequalities, and incentives in the USSR were similar to those found in the United States and other advanced capitalist societies. Western scholarship generally agrees with Mao on this point, arguing that the imperatives of industrialization created similar patterns of inequality in advanced socialist and capitalist societies. See, for example, Walter Connor, *Socialism, Politics, and Equality* (New York: Columbia Univ. Press, 1979); Gerhard Lenski, "New Light on Old Issues: The Relevance of 'Really Existing Socialist Societies' for Stratification Theory," in David Grusky, ed., *Social Stratification: Class, Race, and Gender in Sociological Perspective* (Boulder, CO: Westview, 1994). (Of course, Western analysts do not share Mao's faith that there could be a modern industrial society with much less social inequality.)
4. China's critics in the Soviet Union and Eastern Europe contended that it was China rather than they that was being "revisionist," because socialism is supposed to involve distribution of wages and other rewards according to contributions to society, rather than equally or according to need. Indeed, one team of Polish sociologists contended that a socialist society was and should be more genuinely meritocratic than a capitalist society. See W. Weselowski and T. Krauze, "Socialist Society and the Meritocratic Principle of Remuneration," in G. Berreman, ed., *Social Inequality: Comparative and Developmental Approaches* (New York: Academic Press, 1981).
  5. The leadership team of Hu Jintao and Wen Jiabao that took over in 2002–2003 has voiced much more concern about inequality than that of its predecessors, Deng Xiaoping and Jiang Zemin, and it has begun implementing a number of new policy initiatives to address the problem, some of which are described later in this chapter and in subsequent chapters.
  6. See Azizur Khan and Carl Riskin, *Inequality and Poverty in China in the Age of Globalization* (New York: Oxford Univ. Press, 2001); Azizur Khan and Carl Riskin, "China's Household Income Distribution, 1995 and 2002," *China Quarterly* 192 (2005): 356–384; and Björn Gustafsson, Li Shi, and Terry Sicular, eds., *Inequality and Public Policy in China* (New York: Cambridge Univ. Press, 2008).
  7. The terms "state socialism" and "centrally planned socialism" refer to the USSR and its Eastern European satellites, China under Mao, and other societies that eliminated all private ownership of productive resources and enterprises. Other societies that are sometimes referred to as socialist, such as Tanzania or India in the 1970s, Scandinavia, and even Great Britain, still possess substantial and even dominant private ownership and market distribution and do not fit the patterns described here.
  8. For theoretical statements of how socialism in practice promotes inequality rather than equality, see Milovan Djilas, *The New Class* (New York: Praeger, 1957); Ivan Szelenyi, *Urban Inequalities under State Socialism* (New York: Oxford Univ. Press, 1983). Given the jaundiced views that Marx had about peasants and rural life and the strong urban-industrial bias of planners in socialist societies generally, it should come as no surprise that, whatever is said about rural residents in regime slogans, in practice they have been exploited and neglected in socialist societies.
  9. 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. See the discussion in Martin Whyte, "Social Trends in China: The Triumph of Inequality?" in A. Barnett and R. Clough, eds., *Modernizing China* (Boulder, CO: Westview, 1986); and Ivan Szelenyi and Eric Kostello, "The Market Transition Debate: Toward a Synthesis?" *American Journal of Sociology* 101 (1996): 1082–1096.
  10. See, for example, the discussion in Victor Nee, "A Theory of Market Transition: From Redistribution to Markets in State Socialism," *American Sociological Review* 54 (1989): 663–681; and Victor Nee, "The Emergence of a Market Society: Changing Mechanisms of Stratification in China," *American Journal of Sociology* 101 (1996): 908–949.
  11. See the discussion of the workings of the class label system in the Mao era in Richard Kraus, *Class Conflict in Chinese Socialism* (New York: Columbia Univ. Press, 1981); Elisabeth Croll, *The Politics of Marriage in Contemporary China* (New York: Cambridge Univ. Press, 1981).
  12. The claim here is only that class labels of the past no longer play an important role in influencing individual opportunities. However, the legacy of that system in the Mao era, involving pervasive discrimination for two decades against those with "bad class" labels, produced educational, occupational, and even marriage deficits for the targeted groups and individuals that many have not been able to overcome to this day. I thank Ralph Thaxton for pointing out to me the important distinction between the labels no longer mattering versus those who bore the labels in many ways still being disadvantaged.
  13. There is an abundance of literature on a strong cultural tradition of native-place psychology among Chinese migrants and the 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. See, for example, G. William Skinner, "Mobility Strategies in Late Imperial China," in C. Smith, ed., *Regional Analysis*, vol. I (New York: Academic Press, 1976); Sybille van der Sprenkel, "Urban Social Control," in G. W. Skinner, ed., *The City in Late Imperial China* (Stanford, CA: Stanford Univ. Press, 1977); William Rowe, *Hankow: Conflict and Community in a Chinese City, 1796–1895* (Stanford, CA: Stanford Univ. Press, 1989); and David Strand, *Rickshaw Beijing: City People and Politics in the 1920s* (Berkeley: Univ. of California Press, 1989).
  14. T. Cheng and M. Selden, "The Origins and Social Consequences of China's Hukou System," *China Quarterly* 139 (1994): 646–668.

15. The “invisible wall” phrase comes from Chan, *Cities with Invisible Walls*. For evidence on the sharp reductions over time in the rural origins of residents of one large city during the Mao era (Chengdu, Sichuan), see Martin Whyte, “Adaptation of Rural Family Patterns to Urban Life in Chengdu,” in G. Guldin and A. Southall, eds., *Urban Anthropology in China* (Leiden: E. J. Brill, 1993).
16. To be sure, urban bias is a pervasive phenomenon in developing societies in which political elites—who reside and raise their children in the cities—tend to systematically favor cities and urban development over the countryside. On the general phenomenon, see Michael Lipton, *Why Poor People Stay Poor* (Cambridge, MA: Harvard Univ. Press, 1977). However, it could be argued that state socialist societies are even more biased toward urban areas than developing capitalist societies and that China in the Mao era displayed especially extreme forms of urban bias, despite official slogans such as “agriculture first” and “industry should serve agriculture.”
17. Urban China differed from the Soviet Union in having more total bureaucratic allocation of labor and inability of individuals to change jobs. See the discussion and comparative figures in Barry Naughton, “Danwei: The Economic Foundations of a Unique Institution,” in Xiaobo Lu and Elizabeth Perry, eds., *Danwei: The Changing Chinese Workplace in Historical and Comparative Perspective* (Armonk, NY: M. E. Sharpe, 1997). 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 (see Nicholas Lardy, *Economic Growth and Distribution in China* [New York: Cambridge Univ. Press, 1978]). 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 Barry Naughton, “The Third Front: Defence Industrialization in the Chinese Interior,” *China Quarterly* 115 [1988]: 351–386), rather than in agriculture or rural development (see the discussion in Nicholas Lardy, “State Intervention and Peasant Opportunities,” in William Parish, ed., *Chinese Rural Development* [Armonk, NY: M. E. Sharpe, 1985]).
18. What other developing society has seen its largest city shrink in population over time? That is what happened to Shanghai, which had more than 7 million people in 1957 and only about 6 million in 1973. See Christopher Howe, *Shanghai: Revolution and Development in an Asian Metropolis* (New York: Cambridge Univ. Press, 1981).
19. See Solinger, *Contesting Citizenship in Urban China*. 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 the discussion in Andrew Walder, “The Remaking of the Chinese Working Class, 1949–1981,” *Modern China* 10 (1984): 3–48; and Yanjie Bian, *Work and Inequality in Urban China* (Albany: SUNY Press, 1994).
20. 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.
21. 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 1955–1956, 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 the decollectivization that was carried out in the early 1980s.
22. On China’s green revolution, see Benedict Stavis, *Making Green Revolution: The Politics of Agricultural Development in China* (Ithaca, NY: Cornell University Development Committee, 1974). For state restrictions on crop diversification in the 1970s, see Lardy, “State Intervention and Peasant Opportunities.” On the Great Leap famine and its aftermath, see Dali Yang, *Calamity and Reform in China: State, Rural Society and Institutional Change since the Great Leap Famine* (Stanford, CA: Stanford Univ. Press, 1996). On the general difficulties of agricultural development in the Mao era, see Nicholas Lardy, *Agriculture in China’s Modern Economic Development* (New York: Cambridge Univ. Press, 1983); and Robert Ash, “Squeezing the Peasants: Grain Extraction, Food Consumption, and Rural Living Standards in Mao’s China,” *China Quarterly* 188 (2006): 959–998.
23. See the discussion of how the *hukou* system worked at the grass roots in Potter, “The Position of Peasants.” After 1998, new regulations allowed an individual to claim the registration status of either his or her father or mother. See the discussion in Chapter 15 later in this volume.
24. Over the years the People’s Liberation Army relied heavily on rural recruitment. Unlike officers, enlisted personnel were supposed 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.
25. There are some exceptions to these generalizations. The unpopularity of the program that sent between 17 and 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. See the account of this program in Thomas Bernstein, *Up to the Mountains and Down to the Villages: The Transfer of Youth from Urban to Rural China* (New Haven, CT: Yale Univ. Press, 1977).
26. 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.
  27. 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, *Contesting Citizenship in Urban China*, 39–40). For accounts of the systems of urban rationing and controls of other essentials during the Mao period, see Lynn White, *Careers in Shanghai* (Berkeley: Univ. of California Press, 1978), Chap. 4; and Martin Whyte and William Parish, *Urban Life in Contemporary China* (Chicago: The Univ. of Chicago Press, 1984), Chap. 4.
  28. 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 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 on 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 to which some youths resorted in order to survive contributed to a sense of declining urban social order in the 1970s (see Martin Whyte, “Social Control and Rehabilitation in Urban China,” in S. Martin et al., eds., *New Directions in the Rehabilitation of Criminal Offenders* [Washington, DC: National Academy Press, 1981]).
  29. 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.
  30. See the evidence presented in Martin Whyte, “City versus Countryside in China’s Development,” *Problems of Post-Communism* 43 (1996): 9–22. For data on more recent trends in the rural-urban gap in schooling and in health care, see Chapters 6 and 7 below.
  31. Important studies of the situation of migrants in China’s cities include Li Zhang, *Strangers in the City* (Stanford, CA: Stanford Univ. Press, 2001); Daniel Wright, “Hey, Coolie!” in Daniel Wright, *The Promise of the Revolution* (Lanham, MD: Rowman & Littlefield, 2003); Arianne Gaetano and Tamara Jacka, eds., *On the Move: Women and Rural-to-Urban Migration in Contemporary China* (New York: Columbia Univ. Press, 2004); and Pun Ngai, *Made in China: Subject, Power, and Resistance in the Global Workplace* (Durham, NC: Duke Univ. Press, 2005).
  32. A sociologist in China, Li Qiang, has arrived at a similar formulation, viewing China’s population as divided into three distinct castes: rural residents, migrants, and urban residents. See Li Qiang, *Nongmin Gong yu Zhongguo Shehui Fenceng* [Migrant workers and China’s social stratification] (Beijing: Social Science Academy Press, 2004). (My thanks to Yang Yu, who alerted me to this source.)
  33. After a widely publicized incident in 2003 involving the death of a migrant in detention, new regulations were passed designed to minimize such abuses, although in this volume’s Chapter 15 Fei-ling Wang raises questions about how effective these changes have been. Migrants are supposed to register with a local police station if they are staying for more than three days in their destination city, and they must apply for temporary household registration if they are staying longer than a month, but these requirements are unevenly enforced, and it has been estimated that fewer than half of the migrants present in the city are officially registered in this manner. On the working-condition abuses suffered by many migrants, see Anita Chan, *China’s Workers under Assault* (Armonk, NY: M. E. Sharpe, 2001). For an account of the bulldozing of one well-known migrant settlement (“Zhejiang Village” on the outskirts of Beijing), see Li Zhang, *Strangers in the City*.
  34. One study 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.” Vanessa Fong, “Morality, Cosmopolitanism, or Academic Attainment? Discourse on ‘Quality’ and Urban Chinese-Only-Children’s Claims to Ideal Personhood,” *City and Society* 19 (2007): 87.
  35. China’s institutionalized discrimination against migrants has been criticized as a major human rights abuse. See Human Rights in China, *Institutionalized Exclusion: The Tenuous Legal Status of Internal Migrants in China’s Major Cities* (New York: Human Rights in China, 2002). For comparisons with undocumented aliens in the United States, see Kenneth Roberts, “China’s ‘Tidal Wave’ of Migrant Labor: What Can We Learn from Mexican Undocumented Migration to

- the United States?”, *International Migration Review* 31 (1997): 249–293. For comparisons with the apartheid regime in South Africa, see Peter Alexander and Anita Chan, “Does China Have an Apartheid Pass System?”, *Journal of Ethnic and Migration Studies* 30 (2004): 609–629.
36. In recent years authorities in many cities have experimented with abolishing the distinction between agricultural and nonagricultural *hukou*. However, they maintain the legal distinction between local resident *hukou* and outsiders. This change does not help rural migrants, because they remain consigned to the inferior caste position as outsiders and cannot readily obtain local resident *hukou* status even if they have lived in the city for many years.
37. See the figures in Barry Naughton, *The Chinese Economy: Transitions and Growth* (Cambridge, MA: MIT Press, 2007), 182. 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 jurisdictions and not solely by the natural increase of the existing urban population and rural-urban migration. Because experts engage in heated debates about what constitutes the most meaningful figures for the urban population proportion at any point in time, we will be content here with these “ballpark” urban population estimates.
38. Rachel Murphy, *How Migrant Labor Is Changing Rural China* (New York: Cambridge Univ. Press, 2002).
39. 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. Because such enterprises were concentrated in China’s coastal provinces, the burden problem seems to have been most severe in interior provinces (see the discussion in Thomas Bernstein and Xiaobo Lu, *Taxation without Representation in Rural China* [New York: Cambridge Univ. Press, 2003]).
40. During the Mao era, there was some emphasis on the 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 the domestic or foreign market or to augment village incomes. As such, the employment and other impacts of the village factories were limited before the reform era (see American Rural Small-Scale Industry Delegation, *Rural Small-Scale Industry in the People’s Republic of China* [Berkeley: Univ. of California Press, 1977]). The recent estimates of TVE employment come from Naughton, *The Chinese Economy*, 286.
41. Deng did not hold the top formal position in the CCP during this period (with the successive incumbents in that post being Hua Guofeng, Hu Yaobang, and then Zhao Ziyang), but nonetheless he was in effective command of the Chinese political system (even as late as 1992, when his “Southern tour” of Shenzhen and other growth centers set off a new round of market reforms and economic growth).
42. On the campaign to open up the West, see David Goodman, *China’s Campaign to ‘Open up the West’: National, Provincial, and Local Perspectives* (New York: Cambridge Univ. Press, 2004). For initial steps to tackle the “burden problem,” see Bernstein and Lu, *Taxation without Representation*. 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 percent 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.
43. The *dibao* system is a very modest minimum income program in which the urban poor receive cash subsidies from local governments. See Wang Meiyan, “Emerging Urban Poverty and the Effects of the *Dibao* Program on Alleviating Poverty in China,” *China and the World Economy* 15 (2007): 74–88.
44. In one of the most recent examples of these efforts, in August 2008 the Ministry of Education proclaimed that central government funds would be provided to urban schools to pay for the expenses of enrolling and educating migrant children in an effort to advance the long-proclaimed but frequently thwarted goal of giving children of urban migrant workers the same educational opportunities that urban children have. See “Free Schooling for Migrant Kids,” *China Daily*, August 27, 2008.
45. Wang, *Organizing through Division and Exclusion*.

## 2. Small-Town China

1. The idea of a rural-urban continuum was first applied to Chinese history in the monumental volume edited by G. William Skinner, *The City in Late Imperial China* (Stanford, CA: Stanford University Press, 1977); see the chapters by F. W. Mote, “The Transformation of Nanking,” 102–103, G. William Skinner, “Introduction: Urban and Rural in Chinese Society,” 258–261, and Sybille van Der Sprenkel, “Urban Social Control,” 609. As a related piece of evidence, a demographic study by Liu Ts’ui-jung (Liu Cuirong) on the lower Yangzi River valley during the Ming-Qing period finds that except for slightly higher remarriage and polygamy rates among urban males, there were few differences between urban and rural societies in terms of marital fertility, mortality, and contraceptive behavior; see Liu Cuirong, *Mingqing shiqi Changjiang xiayou diqu dushihua zhi fazhan yu renkou tezhen* [Urban development and demographic characters in the lower Yangzi River valley during the Ming-Qing period], in Liang Gengyao and Liu Shufen, eds., *Chengshi yu xiangcun* [City and countryside] (Beijing: Zhongguo dabaike quanshu chubanshe, 2005), 247–285 (reprint of a 1986 article).