

Land reforms aimed at raising rural incomes and promoting urbanization could accelerate the crisis already building in China's cities. If urban legal and social reforms fail to keep pace, China could face intensifying conflict between a burgeoning class of have-nots and an entitled minority, a consolidated alliance between political leaders and business and social elites, and a host of other social and political ills familiar to many Latin American states.

## The Latin Americanization of China?

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Wide-ranging liberal market reforms have produced rapid gains in China's overall economic growth over the past two decades. Yet rural policy since 1978 has been rent by opposing influences: the state recognizes the growing plight of farmers facing market reforms, but it refuses to accept rural migrants as full members of urban communities. Today, however, China's leaders are deepening land reform programs in the countryside. Reformers hope this will spur consolidation of land into larger, more efficient agricultural holdings while encouraging inefficient farmers to divest their land, leave the countryside, and help fuel healthy industrial growth by selling their labor in China's burgeoning cities.

As Karl Polanyi, the author of the 1944 study, *The Great Transformation*, could have predicted, this process is not going smoothly. Although Polanyi was describing the enclosure movement and subsequent social, economic, and political crises in eighteenth-century England, many common themes are now being played out in China's own great transformation, including worsening inequality, rising expectations, and increasing conflict and violence in the countryside.

Yet the current crisis in the countryside is only a precursor to the deeper and more fraught crisis that is growing in China's cities. China's economic reforms have created what Sun Liping of Tsinghua University calls a "cloven society." The new rich and powerful now live in walled, guarded villas and modern apartment complexes, enjoying vast differences in wealth, power, and rights from the swelling ranks of the rural poor and urban dispossessed. The latter are composed of millions of migrant workers

living in shantytowns, alongside the growing numbers of urban unemployed and low-income residents who are being forcibly removed from the city center to make way for new real estate development. This second, developing crisis is not only a crisis of infrastructure and incomes—the hardware of urban life. As millions of peasants seek a permanent home in China's cities, it is also a battle for identity and entitlements—the critical software that makes urban society workable. These "urban rights" include legal status and accompanying access to jobs, education, health services, insurance, and social welfare benefits.

The outcome of this second crisis, though it will certainly involve increasing scope and intensity of conflict and confrontation, need not be endless discord or regime collapse. China's tumultuous reform process could see the creation of new, more liberal legal and social institutions. Transforming migrants into urban citizens with equal rights and allowing social groups to organize and articulate their own interests would both improve the ability of the government to govern effectively and minimize long-term threats to stability and economic development.

But other outcomes are also possible. The state could refuse to allow liberal institutional innovation and slip into a modern form of authoritarian corporatism in which political leaders might seek to channel social energies toward nationalist ends—the "revolution from above" about which Barrington Moore warned. Or alternatively, China could catch the Latin American disease, characterized by a polarized urban society, intensifying urban conflict, and failed economic promise. Indeed, despite aggressive efforts to make the state more responsive and adaptive, the speed with which social cleavages and conflicts are growing today arguably makes this last outcome easier to imagine than the others.

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## THE SUFFERING COUNTRYSIDE

China's rural areas are now deep in crisis, with sluggish income growth, peasants burdened by excessive taxes and fees, and local governments overstaffed, in debt, and unable to provide adequate services for peasant families. Rampant corruption among local officials has combined with these factors to incite increasing levels of peasant organization, protest, and violence. This crisis is not new, but it is reaching a new scale and intensity. In a 2004 Chinese Academy of Social Sciences (CASS) survey of 109 of China's top sociologists, economists, managers, and legal experts, 73 percent of the respondents identified the "three rural problems" (*san nong wenti*) of agriculture, peasants, and rural areas as China's most urgent challenge. Combined with other issues such as corruption, the intensity of the rural turmoil led more than half of the respondents to see a systemic crisis as "possible" or "very possible" within the next 5 to 10 years.

Small-scale inefficient agriculture and the relative decline of township and village enterprises are contributing to a widening rural-urban income gap. Average annual rural income stands at just \$317 today, and the gap between urban and rural income has grown from 1.8:1 in the mid-1980s to 3:1 in 2003. Between 2000 and 2002, incomes fell in 42 percent of rural households in absolute terms. And according to a July 2004 government report, the number of farmers living under the official poverty line of about \$75 per year increased by 800,000 in 2003, the first net annual increase in absolute rural poverty since economic reforms began in 1978. At the same time, farmers suffer from a disproportionate tax burden while receiving fewer services; according to the State Council's Development Research Center, the urban-rural income disparity soars to between 5:1 and 6:1 when entitlements, services, and taxes are included in the calculation.

Unsurprisingly, organized rural protest is on the rise. Actions range from tax evasion and blocking roads and railways to the assault or kidnapping of officials and even to riots that have involved hundreds or thousands of people. Even so, the nature of rural protest and of the state's response to it limits the possibility that rural conflict alone could threaten regime stability. As Yu Jinrong of CASS notes, when rural residents do engage in collective action and protest, they often seek alliances with central government officials against local officials, rather than seeking broad-based systemic change. Yu argues that today's peasants are not the revolutionary "peasants of Mao." They are seeking legitimate political orga-

nization to defend legitimate economic interests, and, he warns, suppressing their aspirations and organization carries significant political risks.

Beijing has been highly attuned to rural problems for the past several years, and has taken steps to address them. In particular, the central government has had some short-term success in reducing the peasant tax burden by cracking down on illegal local fees and converting fees to more transparent taxes. It also has moved to share a larger amount of central revenue with local governments. The central government has created more safety valves for expressions of rural discontent, clamped down on abuses by local officials, explained policies to peasants, paid out monies to mollify protesters, and allowed village elections (although it has also simultaneously removed considerable tax and fiscal power to the higher township level, not subject to elections).

These measures are, however, also creating a strong sense among Chinese citizens that they have "legal rights." Rural residents increasingly refer to these "rights" in their protests—a potentially significant development for the future of Chinese politics. And, despite the government's success in localizing, suppressing, or conciliating potential rural threats, the leadership does not believe that such measures represent a real long-term solution to the *san nong wenti*.

## THE GREAT ENCLOSURE

Many key Chinese policymakers and social scientists believe the solution to the rural crisis lies in a more radical approach: a combination of land reform, industrialization, and urbanization. Wang Mengkui, the director general of the State Council Development Research Center, argues, "Too many people and too little land makes large-scale production difficult and is therefore the greatest problem for farmers to increase their incomes." The consolidation of larger farms and the movement of farmers to the cities will go far toward solving the rural problem, he asserts, and as an additional benefit of urbanization, "large numbers of migrant workers [will] supply cheap labor, thus helping to enhance the international competitiveness of Chinese industries." Pan Wei, an influential government adviser and Beijing University professor, also argues that Beijing should encourage a rapid acceleration of peasant migration to urban centers, proposing that China should develop an additional 100 cities of 5 million people or more over the next 30 years, either by building new cities or expanding existing ones.

The migration from country to city, already massive, is accelerating. In part, this is being driven by

illegal land seizures and the conversion of farmland to industrial and recreational use. In November 2003 the Ministry of Land and Resources reported more than 168,000 cases of illegal land seizure, twice as many as in the entire previous year. According to the State Statistics Bureau, China lost 6.7 million hectares of farmland between 1996 and 2003—three and a half times as much as the 1.9 million lost between 1986 and 1995. The trend continues to accelerate, with some 2.53 million hectares, or 2 percent of total farmland, lost in 2003 alone. According to the 2004 *Green Book of China's Rural Economy*, for every *mu* of land (approximately 0.07 hectares) that is transferred to nonagricultural use, about 1 to 1.5 farmers lose their land. According to official statistics, some 34 million farmers have either lost their land entirely since 1987 or own less than 0.3 *mu*, and the new surge in land transfers almost certainly indicates acceleration of that process.

The government has met with some success in curbing the transfer of farmland for nonagricultural purposes during 2004, but a more sustained, legal, and probably larger-scale shift in rural land tenure patterns is in the offing, in this case driven by the central government's efforts to rationalize agriculture and raise rural incomes. The landmark Rural Land Contracting Law (RLCL), which took effect in March 2003, is the latest means toward that end. Under the post-1978 household responsibility system, land remains owned by the village, with use rights allotted by village leaders to individual households. The lack of secure land tenure periods and the frequent use of "readjustments" by village leaders (that is, reapportioning land between households) inhibited improvements to the land, transfer of land-use rights between farmers, and the emergence of commercial-scale agriculture. The RLCL mandates written contracts between farmers and villages, and sets the period of land tenure at 30 years. It includes clear provisions for the farmer's right to transfer land rights to others. And, to give potential buyers confidence that their land-use rights will be respected, it prohibits "readjustments" except in extreme cases (for example, natural disasters). No doubt, enforcement of the RLCL will be inconsistent. But the central government appears committed to the task and will almost certainly continue to sharpen land-use legislation. Indeed, the agenda may be expanded to ease rules on mortgages and to push the

household-based tenure system toward an individual-based system, two measures that would substantially speed the transfer of land-use rights.

If successful, land reform will accelerate China's internal mass migration. But the impact of both illegal seizures and land reform will not be limited to an increased rate of migration. The composition of the "floating population" also will be affected. Many of those who previously crowded onto trains for the cities went in search of higher incomes and were, in fact, adding one income to the family effort since their wives, husbands, or parents continued to work the farm in their absence. Today, an increasing number of people are moving with families in tow, no land or homes behind them, and no guarantees ahead.

China's best-known business and economics magazine, *Caijing*, has called the recent spate of rural and urban land seizures by alliances of local officials and real estate developers a new "enclosure" (*quandi*) movement, consciously echoing the process that sped urbanization and was so disruptive and violent in eighteenth-century England. But for many peasant families, legal transfers

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under the RLCL will have a similarly dislocating effect. Rural reform is incomplete without also guaranteeing the assimilation of China's migrants as full, productive members of urban society.

## A BIGGER CRISIS TOMORROW

Speeding China's urbanization trades one social and political problem for another that is potentially more severe. The problem of poor farmers working small plots becomes that of poor migrants working dangerous jobs with few rights and virtually no social security safety net. The scale of China's urban landscape is already daunting: 166 cities of more than 1 million people (the United States has 9) and 500 million official (that is, without counting migrants) urban residents. Urban population growth is already at 2.5 percent per year (versus 0.8 percent for India), and the government expects 300 million people to move to China's cities and towns between 2004 and 2020. Because most of China's migrant workers retain their *shenfen*, or personal status, as farmers in their home locality, they are cut off from access to urban services, social security, and effective legal protection. This problem could worsen unless the next generation of migrants who

have lost their land—either through illegal seizures or through the legal operation of a land-use rights trading system—are granted rights and benefits that will allow them to fully join urban society. The current plight of China's migrant workers offers a glimpse of the obstacles that must be overcome.

Migrant workers without municipal *hukou* (registration) cannot participate in regular job markets. When they do find work, their rights under Chinese labor law are frequently violated. Their wages are withheld for months or years. The government estimates that China's 100 million migrant workers are owed \$12 billion in back pay. Mandatory safety conditions often go unmet. According to *The China Youth Daily*, in one urban area alone—Shenzhen and the surrounding Pearl River Delta region—industrial accidents claim more than 30,000 fingers from workers each year. The standard payout for such injuries is \$60 per finger, but many employers refuse to pay any compensation. According to government officials, nearly 70 percent of migrant workers have no form of insurance. And most live in shantytowns outside the cities, where whole neighborhoods are subject to clearance and destruction on little notice and with little or no compensation.

The impact of this ambiguous, floating status falls disproportionately on children and other weak dependents who travel with workers. Currently, the floating population includes an estimated 3 million children aged 14 and under. According to a 2004 government report, pregnant migrant women and their children suffer mortality rates between 1.4 and 3.6 times the national average. Of migrant children between the ages of 8 and 14, some 15 percent do not attend school. Most of those who do attend pay high fees (often \$100 or more) to enroll in improvised, substandard private schools. Pressures associated with payment—and shouldering an entire family's hopes for the future—have prompted a rash of student suicides and even murders. Although problems associated with migrant workers have been apparent for some time, the rapidly accelerating trend toward landlessness and the consequent growth in whole families on the move make specific problems associated with dependents new in magnitude if not in nature. And, while services in the countryside were also poor, China's underclass in the cities will perceive injustice more keenly as they see the benefits that the new rich enjoy every day.

In theory, even urbanization advocates understand that, as Wang Mengkui, the State Council official, put it, “urbanization requires institutional innovation.” To date, efforts have been limited to

protecting migrants against some of the worst abuses. In a major government work report in March 2004, Prime Minister Wen Jiabao declared that the government would “basically solve the problem of default on construction costs and wage arrears for migrant rural workers in the construction industry within three years.” The Ministry of Labor and Social Security said this year that it will oblige construction and manufacturing firms to provide health and life insurance to millions of migrant workers. And the central government has encouraged municipalities to give migrants greater and cheaper access to public schooling, though, as with most measures, no central funds are earmarked. In the first sign of state and party support for a broader defense of rights for the urban poor, reformers in the National People's Congress are now drafting a law that amounts to a “Bill of Welfare Rights” for China's internal migrants.

#### OBSTACLES TO REFORM

Despite the rhetoric and regulations, real progress has been limited, and the gap between rising consciousness of rights and the ability to act on and realize these rights is growing. The most obvious problem is money, or, as a group of Chinese scholars noted in a major new book, *China's Urban Development Report*, the question of “who will pay the bill for China's urbanization.” The scholars' answer is simple: urban industry. But the construction industry, which is most relevant to the migrant economy, has resisted paying its existing obligations on time, much less shouldering additional costs. With local governments profiting from the construction industry and officials making their reputations based on building and development—not to mention widespread bribery and corruption—the incentives to overlook violations remain powerful.

Nanjing University's Pan Zequan, writing in *Strategy and Management*, argues that pervasive discrimination against migrants is not simply an inherited evil now being attacked and reversed; rather, it is built on consciously erected systems and policies and is regularly “produced” and “reproduced.” Although progress has been made in some areas, Pan's contention that a dynamic struggle is under way rings true. Certainly, discrimination against migrants works to the advantage of—and is convenient for—those who already hold entitlements in the cities. Material interests are reinforced by strong local identities and prejudice against rural “outsiders” (*waidiren*)—a phrase invariably used in reference to migrants. Eastern

urbanites frequently explain to Western visitors that *waidiren* are of “low quality” (*suzhi di*) and say they feel less in common with domestic migrants than they do with foreigners. Among well-heeled urban young people, the phrase “You’re so farmer!” (*Ni zhen nongmin!*) has gained currency as a playful expression of disgust.

Given hostile interests and culture, it is not surprising that measures to lessen the hardships of migrants often meet with obstruction. Despite Beijing city officials’ recent order to public schools to admit the children of migrant workers and to cut discriminatory tuition fees imposed on them, many schools continue to exclude migrants by claiming to be filled to capacity when, in fact, a survey by the Beijing Education Department showed 35,000 vacancies. Members of the floating population face discrimination even in death. In a recent incident in Luzhou, an explosion in a city gas pipeline killed several people. The families of city residents were compensated with \$17,000—those of migrant workers were given \$5,000. Although they lived and worked and died in the city, the migrants were still classified as peasants. An official justified the difference with the claim that “the cost of living in the countryside is lower.”

Although China’s leaders continue to view the rural problem as the nation’s greatest threat, a 2004 survey by the Chinese Academy of Social Sciences singles out migrants as the great economic loser of the post-1978 era. When asked which of eight groups had benefited most from China’s economic reforms, a distinguished panel of experts was unanimous on only one item: “migrant workers” were worse off than any other group. The least fortunate of them join what a leading government researcher, Zhang Xiaoshan, has described as a new class, the “three have-nots”: people with no land, no jobs, and no access to national income insurance.

#### THE FUTURE: LIBERAL, FASCIST, OR DICKENSIAN?

Broadly speaking, three possible 15-year outcomes to the dual rural-urban crises are possible: liberal, authoritarian corporatist (or fascist), and botched. None of these outcomes is preordained. We would argue, nevertheless, that China is now groping its way at least tentatively toward the first, though the pace of social change and the difficulty of overcoming entrenched interests may ultimately make the third most likely.

Progress toward a liberal outcome would see the village election system strengthened and expanded at

least to the township level. Land reform would proceed but with land reforms matched by commensurate and simultaneous urban reforms that protect new arrivals in cities and second-generation migrants, and that permit employment beyond construction and road sweeping. In urban areas, the *hukou* system (already being revised) would be eliminated and public services made equally available to all people living and working in a given region. An awareness of legal rights would develop, along with the means to actualize them. Ultimately, individuals, regardless of their status, would be allowed to organize in groups free from direct state control to defend their interests.

Movement can be seen in most of these areas. Village-level democracy—imperfect as it is—is bringing greater accountability to the countryside. Nationally, progress in building legal institutions and, especially, fostering a “rights and accountability” culture has been made on a broader front. Although the road ahead is still much longer than that already traveled, the state seems prepared to countenance a judicial system that will be used to mediate interests as part of the local political process, not simply to administer justice. Legal awareness has been aided by the central government’s emphasis on “rule of law” in its own battles to control provincial and municipal governments. And peasants are responding. The State Council Development Research Center reports that an increasing proportion of official petition and protest letters cite legal rights and protections as the basis for the complaints.

In the cities, the state has tolerated, if not encouraged, the rise of a few new independent social organizations. Writing in *The China Journal* in January 2003, Benjamin Read analyzed the development of urban housing associations focused on gaining control of management and improving service quality in upscale real estate developments. These groups capitalize on the government’s recent promotion of notions of certain “rights” to property and consumer protection. They have fended off attempts at government co-optation and are promoting a sense of common identity among their members in addition to pursuing claims against negligent or corrupt real estate developers. While Read cautions that it remains to be seen whether these groups can sustain their current autonomy, they offer tantalizing evidence of the kind of ad hoc, innovative interest-intermediation groups that could become the basis for more permanent social and political institutions. Yet, by their very nature, these new associations highlight the disparities in

income and social rights between China's haves and have-nots—such open organization and representation are not tolerated in migrant shantytowns. Nor have they successfully emerged among poor city residents who are forced to move from older downtown buildings demolished to make way for new developments. Despite the caveats, however, all this adds up to substantial progress toward a more liberal future.

Unfortunately, other social and political possibilities are also readily apparent. Observers such as Michael Leeden and Jasper Becker have argued that China, far from becoming more liberal, has moved in the opposite direction, toward fascism. Benchmarks for movement in this direction would include the consolidation of society into state-dominated and controlled hierarchical organizations; administrative, rather than judicial, mechanisms for social conflict resolution; the strategic use of anti-capitalist and anti-foreign rhetoric; and the heavy involvement of the military in propaganda and social work.

In fact, this largely describes elements of China today. Yet all of these features are becoming less true of the Chinese state, rather than more. Private industry is growing relatively faster than state industry. New self-organized groups are cropping up faster than the state can effectively co-opt or suppress them. The media are more robust, independent, and commercial, with ever-shrinking restrictions on what can be reported. The legal system is growing stronger. And the military is distancing itself from its socioeconomic functions as it has been reduced in size and professionalized. In most key dimensions, China is currently headed away from authoritarian corporatism, not toward it.

There is, however, a third possible trajectory: a "Latin Americanization" of China in which the state could fail to develop institutions capable of adequately addressing China's new social crisis. The speed of social change and the explosive growth of social conflict may outstrip the state's ability to respond. Political leaders could settle into a collusive relationship with business and social elites. A semipermanent have-not class might engage in a constant and economically costly low-level war with the entitled minority. For many Chinese scholars and government officials, Latin American-style social and political problems are now an explicit frame of reference for what China might face if it fails to reverse social trends in the near future.

Despite movement toward a more adaptive, liberal future, the downward spiral toward failure may

in fact be just as likely in the mid-term. Some indicators already point toward this outcome. The 2004 report of the Politics and Law Commission of the Communist Party found that the number of incidents of "social unrest" or "mass incidents" rose 14.4 percent in 2003, to 58,000 nationwide. The number of people involved rose 6.6 percent, to 3 million. In the cities, the "floating population" accounted for "up to 80 percent of all crime." Evidence from numerous urban areas suggests that avoiding the Latin Americanization of Chinese society and a descent into low-level class warfare will require more than partial measures designed to mitigate the worst suffering of migrants—it will require making them full citizens.

### THE NEED FOR SPEED

China's leaders are intently focused on the nation's rural crisis and the growing gap between urban and rural quality of life. Their proposed solution to these problems—land reforms aimed at promoting mass migration and rapid urbanization—is likely to speed the arrival of a second crisis, pitting migrant families against entrenched urban interests in a struggle for rights and entitlements. Those urban interests are themselves powerful forces, including alliances of municipal officials, real estate developers, and construction industries, alongside a new wealthy urban class and existing ranks of urban poor and unemployed. Yet many migrant farmers, some accustomed to voting for their village leaders, and now promised new protections by the government, bring a new "rights consciousness" with them when they move to the cities. Their expectations of fair treatment and access to benefits such as insurance and health care can only be ignored at the government's peril.

While it is struggling with difficult but familiar rural conflict, China's leadership is less well endowed to deal with the coming urban social challenge. The Chinese system does have remarkable strengths, not least the practice of conducting pragmatic economic and political experiments in individual locations and then embracing successful methods nationwide. It is entirely possible that liberalizing interim solutions could become more permanent institutions, as they did in the England that Polanyi described. But with government plans calling for the market-based "enclosure" of China's rural areas, and several hundred million migrants likely to move to the cities over the next two decades, Beijing is in a race against time. ■