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China's Agrarian Reform and the Privatization of Land: A Contrarian View

Qian Forrest Zhang and John A. Donaldson*

Many reporters and scholars outside China advocate the privatization of land ownership in China as a necessary step for the transformation of China's agriculture system into a modern, large-scale, market-oriented and technology-intensive one. Chinese scholars advocating land privatization, for their part, typically argue that land privatization would better protect farmers' rights and interests. We present a contrarian view to these calls for land privatization. Under China's current system of collective land ownership and individualized land use rights, agriculture has modernized rapidly in China in a way that avoided privatization's many downsides. Land privatization, by contrast, would only exacerbate class inequality and social tension in rural China and further weaken farmers' positions in dealing with more powerful actors. Through analyzing six dimensions of this issue – increasing investment in land and agricultural productivity, promoting scaled-up modern agriculture, protecting farmer's land rights and preventing land grabs, enhancing rural livelihoods, and facilitating rural migrants' integration into cities – we maintain that strengthening the current system is superior to privatizing rural land.

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Modernizing agriculture in any country implies scaling up, mechanizing production, improving the efficiency of marketing, encouraging rural residents to migrate to the city, and

shifting land to those who can use it more productively. That is one of the reasons why, when in the early 1980s China's government broke up rural communes and granted individual farming households land use rights to tiny plots of land, critics from ideological left, right and center lamented the shrinking in scale. To them, this represented a step backward for the development of China's agriculture. However, as it turned out, the measures rapidly reduced rural poverty and, for a time, improved agricultural production. Yet, faced with diminishing production growth, some scholars identify China's small-scale and backward agricultural production system as a primary impediment to the country's rural modernization.

For this reason, many looked hopefully toward a major party meeting in 2008, the Third Plenary Session of the Seventeenth Communist Party Central Committee, as a possible watershed. Even before the government released information about the contents of the meeting report on reform of China's agriculture (the final version of the report was not released until October 19, nearly a week after the Plenum's completion), speculation – subsequently shown to be unfounded – proliferated. Within this torrent of conjecture, a number of misleading and even erroneous news reports emerged from respected international media outlets. These centered on rumors that China would at last allow, if not the outright privatization of land, then at least its equivalent – permitting, for the first time, ordinary Chinese farmers to sell their land use rights to others, and to use the land as collateral for loans.¹ This, according to many reports, would shift Chinese agriculture out of subsistence farming and encourage the scaling up of

¹ See for example, Edward Wong, 'China may allow sale of rural land rights', *New York Times* (10 October 2008); David Stanway, 'Radical reforms to set China's farmers free', *The Guardian*, (13 October 2008); Rosemary Righter, 'The fat lady sings in China's opera of reform', *Times of London*, (20 October 2008).

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production. In addition to Western journalists, a number of scholars and other China watchers enthused that moves to privatize property rights would benefit China and her farmers. For instance, Zhu Keliang of the Rural Development Institute, for one, noted in the wake of the plenum, "If all the speculations are true, if senior leadership is going to lift all the restrictions out the door, I'd say this is a great positive. It'll free up the dead capital and allow all this wealth to materialize." Zhu added that such a change would give China "huge momentum in terms of agricultural development." Scott Rozelle, a leading expert on China's agriculture enthused, "This is potentially the real deal... [if enacted] it gives a household a very valuable asset that it can collateralize or sell." Eminent economist D. Gale Johnson has proposed land titling as a way to liberate Chinese agriculturalists from abuse of power by local elites. Tony Saich agreed, pillaring China's system of collective rural land ownership as the source of corruption and rural unrest.² Within China, land privatization remains a politically sensitive issue. Nonetheless, a number of prominent advocates of steps towards privatization include the prominent reformer and economist Gao Shangquan, legal scholar Yu Jiangrong, Xiang Zhaolun of the Finance and Economic Development Leading Group, agriculture economist Li Chenggui,

² Roy L. Prosterman, Mary N. Temple, and Timothy Hanstad, 'China: A fieldwork-based appraisal of the Household Responsibility System', in Roy L. Prosterman, ed., *Agrarian Reform and Grassroots Development*, (Boulder: L. Rienner Publishers, 1990), pp 103-38; D. Gale Johnson, 'Property rights in rural China', Chicago 1995, University of Chicago; Scott Rozelle quoted in Mark Magnier, "China outlines land reform plan," *Los Angeles Times*, (20 October 2008); Tony Saich, 'China in 2006: Focus on social development,' *Asian Survey* 47(1), (2007), pp. 32-43; Cheng Li. 'Hu's policy shift and the tuanpai's coming-of-age', *China Leadership Monitor* 15 (2005).

and Tsinghua University historian Qin Hui. These influential scholars lend their voices to the cause of land privatization, typically arguing that it would benefit millions of Chinese rural residents.³

Just as China reached this crossroad regarding land ownership, the structure of the country's agriculture has shifted, bringing with it many of the gains advocates of privatization would like to see without the disruption that privatization would cause. These fundamental alterations in Chinese agriculture not only challenge the primary justifications for land privatization, but also present a model for other countries that can simultaneously empower small farmers and scale-up production. Moreover, allowing the sale (as opposed to the rental) of land use rights, or moves to otherwise privatize China's land ownership, would likely return China to days of concentrated land ownership and large numbers of landless farmers. Exploitation by landlords, large capitalist farmers, and political leaders would once again dominate class relations in rural China.

Rural China's land system and its discontents

Understanding the debate over land ownership in China requires briefly introducing the prevailing land system of the People's Republic of China, and the development of the

³ Sally Sargeson, 'Villains, victims and aspiring proprietors: framing 'land-losing villagers' in China's strategies of accumulation', *Journal of Contemporary China* 21:77 (September 2012), pp. 757-777; Joseph Fewsmith, 'Tacking the land issue – carefully', *China Leadership Monitor* 27, (2008), pp. 1-8; Hui Qin, 'Nongmin diquan liulun' (Six comments on farmers' land rights), *Shehui Kexue Luntan (Tribune of Social Sciences)* 9, (2007), pp. 122-46.

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institution of land use rights.⁴ Land in China is divided into urban and rural land. While urban land is state owned, rural land is owned by neither the central state nor China's farmers, but rather by rural collectives – administrative villages with leaders selected through open, albeit often flawed, elections. Within rural China, the land system has been based for nearly three decades on a dual track system that divides ownership from usage. Usage rights, meaning the right to use and derive income from – but not individually own – the land, were allocated to each rural household on a relatively equitable basis, starting in the late 1970s and early 1980s. Under this dual system of collective land ownership and individualized use rights – known as the Household Responsibility System (HRS) – Chinese farmers' access to collectively owned land became an entitlement based on their membership in rural villages. This entitlement was economically inalienable – farmers would not be stripped of their land rights no matter how poor they were or how much debt they had. Subsequently, the state devolved to farmers decisions that it had previously made, such as what to plant and when.⁵

Today, it is in support of dismantling this dual system of collective ownership and individualized use rights that advocates of land privatization are now writing. To these advocates, from this land system emerge a series of problems plaguing rural China during the reform era. These include the miniscule scale of agricultural production and the low level of

⁴ For more details on the system, see for example C.W. Kenneth Keng, 'China's land disposition system', *Journal of Contemporary China*, 5(13), (1996), pp. 325-245; Carolyn Cartier, "Zone fever", the arable land debate, and real estate speculation: China's evolving land use regime and its geographical contradictions', *Journal of Contemporary China*, 10(28), (2001), pp. 445-469.

⁵ Jonathan Unger, 'Chapter 5: disbanding collective agriculture', in Jonathan Unger, ed., *The Transformation of Rural China*, (Armonk, NY: ME Sharpe, 2002), pp. 95-118.

efficiency resulting from that, rural poverty, the lack of protection for farmer's land rights, and the difficulties rural migrants face in integrating into cities. The key to solving these problems, they suggest, is privatization of land – more specifically in rural China's context, giving farmers the ownership over their land so that they can freely buy and sell land, and use land as collateral for loans.

Many of these advocates had hoped that the Chinese Communist Party (CCP) would at last privatize rural land during the aforementioned Third Plenary meeting of the 17th Central Committee. However, the reforms that were actually announced, in contrast to such expectations and numerous news reports, did not fundamentally alter the collective ownership system.⁶ To the contrary, before this Plenum China's President Hu Jintao took pains to underscore that the dual track system would remain intact. For instance, in his September 2008 visit to the symbolically important Xiaogang village in Anhui province, which in the 1970s had adopted a land distribution system that later evolved into the HRS, Hu emphasized,

“I would like to clearly tell you villagers that the two-tier management system that integrates unified ownership with separate management on the basis of household contract is the cornerstone for the Party's rural policies. Not only the current land contract

⁶ ‘Right decision injects life into rural reform’, *Xinhua*, (2008),

http://news.xinhuanet.com/english/2008-10/17/content_10208686.htm; ‘China extends rural reform and development in new party document’, *Xinhua*, (2008),

http://news.xinhuanet.com/english/2008-10/19/content_10220352.htm.

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relationship will remain stable and unchanged over a long time, greater and protected land contract and management right will be given to the peasants,"⁷

The document that eventually emerged was consistent with Hu's pledge. While China's central government has recommitted itself to closing the gap in wages and income in rural and urban areas, it has pledged to do so under the current dual-track land system. Party documents introduce new initiatives designed to address the minuscule scale of production that occurs on small and non-contiguous plots of land allocated to farmers, as well as the lack of commercialization of many agricultural products. Some have concluded from this that China's leadership was considering allowing farmers to sell their land. But the document that was released by the Party heralded no new policies regarding shifting the ownership of land. Instead, it emphasized rural development and promoting farmers' living standards through strengthening the current institutional framework.

Debating the merits of land privatization

Advocates of liberalization continue to insist that privatization would have a number of key advantages for China and her farmers. These include raising productivity and production efficiency, allowing scaled-up production, protecting the farmers' rights to land, providing farmers access to capital, as well as freeing farmers from the land and helping them integrate into cities. Interestingly, the new central policy includes a similar list of goals: raising agriculture production, protecting farmers' rights, improving the welfare of farmers, and

⁷ Quoted in Simon Elegant, 'Rural reform in China: walking on eggshells', *Time*, (2008), time-blog.com/china_blog/2008/10/rural_reform_in_china_treading.html.

promoting urbanization and industrialization. Debate thus centers on which system – a bolstered HRS or a more liberalized one based on privatized land ownership – would better accomplish these goals.⁸ In contrast to the call of many analysts for the privatization of rural land, we agree with the central Chinese leadership that the best way to achieve these four goals is through modifying and strengthening the current system. Analyzing the two proposals – privatizing land or strengthening the current system – will help arbitrate this debate.

Agricultural productivity

First, proponents of land privatization argue that allowing farmers to own, purchase and sell land will increase agricultural productivity, in part by encouraging more investment, introducing modern inputs, mechanizing production, and increasing scale. Private systems ensure that productive assets end up in the hands of those that can use them most efficiently. Further, privatization would protect farmers, encouraging them to improve the quality of their land and plan over longer time scales. Many scholars – and according to one researcher, most Chinese government officials⁹ – argue or assume that ‘modern’ farming methods and large-scale farmers would increase the productivity of China’s scarce arable land.

However, defenders of the HRS counter with a number of points. First, in contrast to the perceptions of many, empirical research conducted by leading agricultural economists focusing on China indicates that the country’s total agricultural production has grown rapidly, especially

⁸ Sally Sargeson identifies a third line of argument prevalent in the Chinese literature, one that characterizes rural residents (including farmers and village leaders) as “villains”. Sargeson, ‘Villains, victims and aspiring proprietors’, pp. 766-769.

⁹ Rene Trappel e-mail message to co-author, May 16, 2012.

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in the early years of the HRS reform.¹⁰ Despite the miniscule scale of land, these data reveal that China's grain production has reached a level of per capita output comparable to that in the most developed countries, thanks to continued technological innovation and extremely intensive labor input.¹¹ Research has also rejected two causal mechanisms of privatization's positive effects on productivity – decreased fragmentation and increased mechanization. Tan and his co-authors argue that changes in the number of plots has little effect on total production costs per unit of output and would only increase the number of surplus laborers.¹² Extensive research

¹⁰ Robert W. Mead, 'A revisionist view of Chinese agricultural productivity?' *Contemporary Economic Policy* 21(1), (2003), pp. 117-131; Shujie Yao, 'Economic growth, income inequality and poverty in China under economic reforms', *Journal of Development Studies* 35(6), (1999), pp. 104-130. The annual growth rate in agricultural production, despite leveling off after the one-time payoff of the institutional reform had been exhausted in the mid-1980s, nevertheless has remained above 4 percent into the new century. See Chris Bramall, "Chinese land reform in long-run perspective and in the wider East Asian context", *Journal of Agrarian Change*, 4(1-2), (January 2004), pp. 107-141.

¹¹ Scott Rozelle, Jikun Huang, and Keijiro Otsuka, 'The engines of a viable agriculture: advances in biotechnology, market accessibility and land rentals in rural China', *China Journal*, 53, (2005), pp. 82-111.

¹² Shuhao Tan, Nico Heerink, Gideon Kruseman, and Futian Qu, 'Do fragmented landholdings have higher production costs? Evidence from rice farmers in northeastern Jiangxi province, P.R. China', *China Economic Review*, 19 (3), (2008), pp. 347-58.

has also rejected mechanization of agriculture – one of the crucial advantages of increasing scale – as a way to increase production in overpopulated rural China.¹³

The conclusion from studies on China that increasing farm size will not increase overall productivity is consistent with the experiences of other developing countries with large numbers of subsistence farmers, where an inverse relationship between farm size and agriculture output has often been found.¹⁴ This question of this inverse relationship sparked intense, decades-long debate.¹⁵ Despite the controversy, both sides of this debate would

¹³ See for instance Zinan Liu and Juzhong Zhuang, ‘Determinants of technical efficiency in post-collective Chinese agriculture: evidence from farm-level data’, *Journal of Comparative Economics*, 28(3), (2000), pp. 545-564.

¹⁴ For a discussion of this, see for instance Christopher B. Barrett, ‘On price risk and the inverse farm size-productivity relationship’, *Journal of Development Economics*, 51, (1996), pp. 193-215.

¹⁵ For the original proposition, see Amartya Sen, ‘An aspect of Indian agriculture’, *The Economic Weekly*, 14(4-6), (February 1962), pp. 244-8. For an extensive study in support of this, see R. Albert Berry and William R. Cline, *Agrarian Structure and Productivity in Developing Countries* (Baltimore: Johns Hopkins University Press, 1979). For critiques of it, see Graham Dyer, ‘Farm size and productivity: a new look at the old debate revisited’, *Economic and Political Weekly*, 33(26), (1998), pp. A113-116; and, more recently, Terence J. Byres, ‘Neo-classical neo-populism 25 years on: déjà vu and déjà passé, toward a critique’, *Journal of Agrarian Change*, 4(1-2), (January 2004), pp. 17-44. For an argument in favor of large-scale farmers for Chinese agriculture, see Prosterman, Hanstad and Li, ‘Large-scale farming in China’, p.75. Bramall, ‘Chinese land reform’, p.126, provides a counter argument.

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probably agree on two issues. First, land productivity is primarily causally related with the system of farming, rather than the size of the farm holding per se. If small farms have superior productivity, it is because they are family farms, and, unlike large capitalist farms that face agency problems with hired wage labor, they can tap surplus labor in the family to increase labor input to raise their yield and land productivity. Second, large capitalist farms can sometimes offset their disadvantages in labor utilization and achieve equally or even more efficient land use through greater application of non-labor resources – such as specific types of technology and farm machines – and relying on their advantageous market positions. It is thus safe to conclude from this debate that, contrary to what some proponents for the scaling-up of Chinese agriculture have assumed, large capitalist farms are not intrinsically more productive than small, family farms. Indeed, because China is land scarce and labor rich, it has been and continues to be easier and more socially acceptable to promote the productivity of small family farms by providing them the advantages enjoyed by large farms – such as access to new technologies, appropriate farm machines, preferential policies, and market opportunities – than replacing small family farms with large capitalist farms. In rural China, the provision of subsidized agricultural inputs, the presence of an extensive system of public agricultural extension services, local state's efforts in fostering market growth, and the development of farm-machine rental market have created favorable conditions for family farms, allowing them access to non-labor resources and thus overcome the advantages of large capitalist farms in terms of land productivity.

Second, many argue against the idea that farmers would feel more secure with privatized property rights, and thus would be willing to invest more in the land, for instance, through applying organic fertilizers or improving infrastructure. Empirical research conducted

in China belies these arguments. The length of tenure of a farmer over a particular piece of land does encourage one form of investment – the use of organic fertilizer. However, land security does not increase other forms of investments, such as digging wells, building roads and improving irrigation. These public goods are often beyond the wherewithal of most households with or without land security, and are thus primarily the purview of village governments. Moreover, the impact of increased use of organic fertilizer on agriculture production would be minimal – overall tenure guarantees increase production values by less than one percent.¹⁶ It is partly for the minimal expected effects of privatization on investment that a team of leading agricultural economists concludes, “yield gains from increasing the length of tenure would probably be minimal, and privatization of land in China may not have a large immediate effect.”¹⁷ These findings are consistent with the results of surveys conducted by James Kung disputing the argument that farmers feel insecure with land use rights. This survey, consistent with the findings of a number of surveys conducted in China, suggests instead that farmers prefer periodic land reallocations that adjust to population shifts, thus distributing land on a more egalitarian basis.¹⁸ The finding that reallocations occur more frequently after contested elections further supports the hypothesis that farmers generally support reallocation.¹⁹

¹⁶ Hanan G. Jacoby, Guo Li, and Scott Rozelle, ‘Hazards of expropriation: tenure insecurity and investment in rural China’, *American Economic Review*, 92(5), (2002), pp. 1420-47.

¹⁷ Guo Li, Scott Rozelle and Jikun Huang, ‘Land rights, farmer investment incentives, and agricultural production in China’, University of California Davis, (2000), pp. 24-25.

¹⁸ James K.S. Kung, ‘Equal entitlement versus tenure security under a regime of collective property rights: peasants’ preference for institutions in post-reform Chinese agriculture’, *Journal of Comparative Economics*, 21, (1995), pp. 82-111. Regarding surveys conducted by Chinese

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These findings convince us that privatization is unlikely to squeeze much more production out of China's land (a discussion of labor efficiency is next). Subsistence farming produces a lot per unit of land, as farmers press to eke livings out of tiny plots. In light of the inverse relationship in China and elsewhere between farm size and total yield, privatization and other initiatives to increase farm size could even be counterproductive. Certainly, much of China's land is unproductive; the authors have visited numerous rural areas facing harsh land conditions that are unsuitable for agriculture. Still, privatization will not render these areas capable of producing more.

Labor efficiency and labor transfer

A second major advantage cited by advocates of privatization is that, because land is distributed on a relatively egalitarian basis, the efficiency of another key input, labor, remains staggeringly low. Therefore, even if privatization would not facilitate significantly greater land productivity, then it would at least make production more efficient in terms of labor. It would do so by allocating land to those who can use it best, allowing substituting mechanization for labor, and freeing up labor for more productive activities.²⁰ Xiang Zhaolun, quoted in the *China*

researchers see Dong Xiaoyuan, 'Two-tier land tenure system and sustained economic growth in post-1978 rural China', *World Development*, 24(5), (1996), pp. 915-28.

¹⁹ Loren Brandt, Jikun Huang, Guo Li, and Scott Rozelle, 'Land rights in rural China: facts, fictions and issues', *China Journal*, 47, (2002), pp. 67-97.

²⁰ See for example Dwayne Benjamin and Loren Brandt, 'Property rights, labour markets, and efficiency in a transition economy: the case of rural China', *Canadian Journal of Economics*

Daily in 2003, is representative in arguing, ‘farmers who are reluctant to work on the land can turn their burden over to those who like farming, and it can help develop large-scale production and accelerate urbanization’.²¹

A world that actually resembled the models of mainstream economists would see greater labor efficiency through privatization. Yet, even with pristine markets, production will not be more efficient in a way that helps China or its farmers. Economists measure efficiency as a ratio of output over input. If output cannot increase much, efficiency will increase primarily through a reduction of inputs. Since Chinese farms nearly maximize output per unit of land, the only way to increase efficiency is to reduce inputs—in this case, labor. By eliminating collective land ownership, employers can reduce the amount of total labor allocated to a plot of land. It will also put employers in a strong position to substitute capital for labor, as well as bargain for cheaper labor costs. Thus, increasing efficiency in this way will not raise China’s agricultural output, but will only change how agricultural profit is shared: beefing up the bottom line of agribusinesses and farm employers, while eroding the economic and social positions of China’s farmers, rendered redundant for agricultural production.

Similarly, advocates of privatization argue that the substitution of labor with mechanization will allow surplus rural labor to be released from agriculture and enter into more rewarding non-farm employment. However, under the current system, few barriers constrain rural laborers from moving to non-farm jobs. The transfer of rural labor to non-farm

35(4), 2002, pp. 689-716; Justin Yifu Lin, ‘Rural factor markets in China: after the household responsibility reform’, in Bruce Reynolds and Ilpyong J. Kim, ed., *Chinese Economic Policy: Economic Reform at Midstream*, (New York: Paragon House, 1989), pp. 169-203.

²¹ Quoted in Sargeson, ‘Villains, victims and aspiring proprietors’, p. 775.

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jobs in China over the past three decades has been a demand driven process. Because they are entitled to land provided under the collective ownership, Chinese farmers would not be forced off their land, except when their land is procured, an issue we address below. They would only leave farming when there were better alternatives in the non-farm sector. Thus, the pulling force of demand for labor in non-farm sectors has been driving the labor transfer.²² As a result, those who could find better non-farm jobs most likely have already done so. Those staying in farming are either efficient producers who can do better with farming, or have no attractive alternatives. Being laid off the land involuntarily would certainly not be a favorable situation for most of them.

Moreover, labor efficiency gains from privatization are not likely to be that dramatic. Partly this is because many Chinese villages have already established institutions that help to make farm production more efficient. First, even with small-scale farming, villagers have been quite entrepreneurial, developing schemes to rent or share farming equipment, for instance. Second, because the village collective can coordinate land transfers, thus decreasing transaction costs, the current system allows efficiency-inducing transfers to occur.²³ This suggests that gains to efficiency, the trump card of advocates of privatization in China, are also exaggerated.

Scaling-up and modernization of agriculture

²² Qian Forrest Zhang, Qingguo Ma and Xu Xu, 'Development of land rental markets in rural Zhejiang: growth of off-farm jobs and institution building', *China Quarterly*, 180, (2004), pp. 1040-62.

²³ Brandt et al., 'Land rights in rural China'.

Two additional changes help facilitate the commercialization of Chinese agriculture and the penetration of urban capital into the agrarian system. First, while rural residents are not permitted to buy and sell their land, China's farmers have for years been able to use rental markets to transfer land use rights to other farmers, thereby increasing the scale of production. Formal rental markets were already well established throughout much of China, even before such rights were codified into Chinese law since 2002. Strikingly, many of the "new" pronouncements emerging from the recent Party plenum that were taken to presage a liberalization of property rights were in fact word-for-word the same as the 2002 law. Chinese farmers, for their parts, are taking advantage of rental markets. By 1995, more than 70 percent of villages surveyed reported unrestricted rights to rent cultivated land. Moreover, these rental markets are increasing in strength: whereas only 0.6 percent of land surveyed had been rented in 1988, by 1995, 75 percent of surveyed villages reported that at least modest amounts of land had been rented from one farmer to another.²⁴ As early as 2001, in many counties in the relatively wealthy coastal province of Zhejiang province, rural households have transferred as much as 60 percent of farmland to others.²⁵ Since households retain control over the land and can under normal circumstances claim back the land when the rental tenure expires, renting of land is distinct from selling. Thus, given the flaws of land privatization in economies characterized by subsistence agriculture, rental markets may be a good alternative for achieving relatively efficient results.²⁶

²⁴ Ibid.

²⁵ Zhang, Ma and Xu, 'Development of land rental markets'.

²⁶ Dong, 'Two-tier land tenure system'.

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Second, Chinese farmers are increasingly entering a variety of arrangements with agribusiness that have led to an increase in scale of production even within the current system. According to field research we conducted in five Chinese provinces (Fujian, Heilongjiang, Henan, Shandong and Yunnan), many agricultural products are being produced on an impressive scale, and plantations nearing 10,000 *mu* (667 hectares) employing thousands of rural workers are already being formed. These steps away from small-scale agriculture represent revolutionary changes in China's agriculture sector. Within these arrangements, farmers adopt a variety of roles –from commercial and entrepreneurial farmers, to rural workers with various relationships vis-à-vis agribusiness.²⁷ This system has also encouraged farmers to take the risky step of shifting into organic farming, an environmentally sustainable and highly lucrative activity.²⁸

These relationships between farmers and agribusiness firms are shaped by rural China's dual-track land system in ways that benefit the farmer. The separation of individualized land use rights from collective ownership turns farmers' control over land use rights into a political entitlement based on their ascriptive membership in the villages and makes it economically inalienable. This blocks the primary channel of land dispossession and concentration –distress

²⁷ Qian Forrest Zhang and John A. Donaldson, 'The rise of agrarian capitalism with Chinese characteristics: agricultural modernization, agribusiness and collective land rights', *The China Journal*, 60, (July 2008), pp. 25-47; Q. Forrest Zhang and John A. Donaldson, 'from peasants to farmers: peasant differentiation, labor regimes and land-rights institutions in China's agrarian transition', *Politics & Society*, 38(4), pp. 458-489.

²⁸ Richard Sanders, 'Organic agriculture in China: do property rights matter?', *Journal of Contemporary China*, 15(46), (February 2006), pp. 113-132.

sale of land by smallholders. As a result, in their dealings with agribusiness firms, Chinese farmers almost always retain the control over farmland, which usually is the scarcest resource in rural China. Even when they become hired wage labor working for capitalist farms run by agribusinesses, these semi-proletarianized Chinese farm workers still enjoy a stronger bargaining position – due to their ultimate control over the farmland – than their counterparts in other developing countries. Privatization of land would in fact only strip them of this power and this political protection by turning land into an economically alienable property that can be more easily dispossessed. In this way, far from representing an irrevocable loss of scale, the HRS has proven to be not only adaptable but also conducive to the development of rural markets and agricultural modernization. Thus, in China today, the traditional household-based subsistence or small-scale commercialized agriculture is rapidly shifting to one of larger scale, specialized, commercialized production. The land use rights have provided farmers a measure of power in their negotiations with agribusiness. As we argue below, privatization will not improve the farmers' positions. In this way, many of the purported benefits from privatization – that of increasing productivity and efficiency through scale – have already been accomplished within the present system.

Farmers' rights

A fourth advantage cited by advocates of privatization is that of strengthening the institutional framework for protecting farmers' rights. The rights of China's farmers are directly threatened by unlawful land grabs by corrupt local officials and rapacious businessmen.²⁹

²⁹ For studies on the seemingly rampant land grabs in rural China, see, for example, Xiaolin Guo, 'Land expropriation and rural conflicts in China', *The China Quarterly*, 166, (2001), pp.

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These land grabs are often linked with efforts to develop rural areas. Local government officials claim land for often-unproductive development schemes, and in many cases such officials do not compensate farmers fairly. Local unrest ensues, worrying central leaders nervous about restive farmers.³⁰ Central leaders are hoping the current policy will strengthen the rights of rural residents vis-à-vis powerful local actors. Privatization, according to its advocates, would better protect the rights of farmers because formal legal rights and official documents would increase the difficulty of local officials seeking to obtain land illegally. Land rights would no longer rely on a fuzzy and ill-defined norm tying land use rights to rural residency, but would fit within China's rapidly institutionalizing regime of protecting private property.³¹

Although we share the sympathy for the hardship and injustice that is experienced by many dispossessed farmers, we disagree with attributing the persistence of illegal land grabs to collective land ownership. First, rural land rights in China are not ill defined or ambiguous as some critics claim.³² On the contrary, rural residents and other involved parties in land grabs or other disputes are typically acutely aware that rural land is in most cases collectively owned by the villages and that to turn it into non-farm uses, certain legal procedures (such as official expropriation by the state and due compensation to rural residents) are to be followed. Corrupt officials and developers grab land from farmers, not because they are unaware of farmers' land rights or the rights are ill defined, but because they possess the naked power needed to violate

422-39; Yongshun Cai, 'Collective ownership or cadres' ownership? The non-agricultural use of farmland in China', *The China Quarterly* 175, (2003), pp. 662-80.

³⁰ Cartier, "Zone fever', the arable land debate, and real estate speculation', pp. 445-469.

³¹ Fewsmith, 'Tacking the land issue - carefully'.

³² Ibid.

such rights nonetheless. The prevalent frameworks used in studying farmers' resistance to illegal land grabs—"rightful resistance" proposed by O'Brien and Li and "resistance by law" proposed by Chinese scholar Yu—both emphasize that farmers are aware what their rights are and use the laws that define and protect their rights as the weapon in their resistance.³³ The collective ownership helps to create a community of stakeholders among the villagers, who are collectively affected by the dispossession of any individual member's land. The collective ownership therefore binds the village into a collective agent and provides a base for stronger collective action and resistance, as the Wukan incident of late 2011, for one, illustrates. In this regard, individualized private ownership may undermine this sense of solidarity, erode the base for collective action, and weaken farmers' capacity to launch collective resistance against illegal land grabs or other forms of violation of their rights.

The primary difference between the current collective ownership and the proposed private ownership of land is not that the latter is less ambiguous and more clearly defined than the former—but rather who the owner is: a collective body of rural residents for the former, one individual or a household for the latter. The unwillingness to accept any form of property ownership other than individual ownership as unambiguous and well defined reflects the ideological bias of some critics more than anything else. If there is anything that is ambiguous or insecure under the current system, it is to which particular piece of land a rural household's land use rights are attached, as the collective authority may reallocate land among village members.

³³ Kevin J. O'Brien, and Lianjiang Li, *Rightful Resistance in Rural China* (Cambridge: Cambridge University Press, 2006); Jianrong Yu, *Contentious Politics: Fundamental Issues in Chinese Political Sociology* (Beijing: People's Press, 2010).

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Second, as the term "illegal land grabs" already makes abundantly clear, these land dispossessions are *illegal* because they violate existing laws, not because there is no law defining and protecting farmers' land rights under the collective system. Clearly, the problem is not caused by the collective ownership, but rather by the absence of rule of law - and independent institutions that enforce laws - in local China. The security and freedom of private land ownership is only real when two conditions are met. First, on the institutional level, a strong and independent legal system exists to produce the rule of law and restrain the abuse of political power. Second, on the individual level, farmers have the economic wherewithal to shield their land from the risks of dispossession. Unfortunately, the majority of China's farmers enjoy neither. Yet, the argument that privatized land ownership could afford farmers better protection of their rights is precisely predicated upon the assumption that the legal system in China would protect farmers. If powerful actors can violate farmers' collective rights over rural land under the current system, they can also take advantage of weak political and legal property rights to violate the privatized ownership of individual farmers.³⁴ In their simultaneous roles as regulators and judges, and acting in collusion with (or in some cases acting as) business owners, many local leaders charged with protecting farmers' rights have failed to protect them, and even conspired to thwart those rights. Privatization, far from strengthening farmers' hold over land, may instead create a legal framework that enhances the ability of local businesses and political elites to wrest farmland away from China's already-vulnerable farmers.

³⁴ A similar point is made in Li, Rozelle and Huang, 'Land rights, farmer investment incentives, and agricultural production in China'.

Third, a move toward privatization would further erode the norms of land use rights and collective ownership. In our fieldwork in Yunnan, Shandong and other provinces, in light of media reports on illegal land grabs, we were surprised to have found that the norms of collective land ownership remained strong. On this basis, farmers have been able to bargain with more powerful actors, including agribusiness and local leaders. This is consistent with the surveys that find rural commitment to egalitarianism, particularly as a basis for land allocation, to be strong in the countryside, with only a small minority of respondents advocating household ownership of land.³⁵

Yet, the prevalence of land grabs cast doubt on the strength of these norms, at least among village and township officials who perpetuate the oft-reported land grabs.³⁶ Estimates vary wildly. Sally Sargeson cites figures (that she called inflated) in the tens of millions and notes one report expects 110 million landless peasants by 2030. Older state records suggest that between 1986 and 2005, some 40 million households lost their land, though estimates during this period range as high as 73.7 million households—implying that as many as 315 million individuals have been dispossessed. One 2012 report cited by AFP suggests that 43 percent of China’s farmers have been victims of land grabs.³⁷ Yet, the actual extent of illegal land grabs is

³⁵ Kung, ‘Equal entitlement versus tenure security’.

³⁶ Cai, ‘Collective ownership or cadres’ ownership?’; Guo, ‘Land expropriation and rural conflicts in China’.

³⁷ Kathy L. M. Walker, ‘From covert to overt: everyday peasant politics in China and the implications for transnational agrarian movements’, *Journal of Agrarian Change*, 8(2-3), (2008), pp. 462-488; Sargeson, ‘Villains, victims and aspiring proprietors’, p. 764; ‘Nearly half China farmers ‘suffer land grabs’’, AFP, February 7, 2012,

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impossible to determine. Even if the central state had not been reluctant to publish official figures, the propensity of local officials to conceal or distort such figures renders inaccurate any official figure.

More importantly, most estimates do not distinguish between institutionalized, legal land transfers that result from urbanization and development, and thus say little about the degree of dissatisfaction involved or about the state of norms regarding land use rights. An unknown proportion of legal land transfers compensate land appropriation, including the provision of an urban residential permit, which until recently has been eagerly coveted. Moreover, the greatest pressure for the illegal transfers of land occurs in those bounded intersections between urban sprawl and rural land where the gap between compensation and real estate valuation is the highest. If so, it is a minority who are ever affected by illegal land appropriation when compared to the larger Chinese rural population.³⁸ Despite such qualifications, it is clear that illegal land grabs exist, and are perpetuated by both village-level and township officials. Abuses range from outright illegal sale of rural land use rights to illegally withholding or diverting compensation owed to dislocated farmers.³⁹ Numerous

<http://www.google.com/hostednews/afp/article/ALeqM5h-rLJET4ZgujQMIrTLiSjaErNLQ?docId=CNG.9a22c95cb0e7b0a49350a92381891d4c.221>.

³⁸ See Michael Webber, 'Primitive accumulation in modern China', *Dialectical Anthropology*, 32, (2008), pp. 299-320; Peter Ho, 'Land markets, property, and disputes in China', *The Political Economy of Rural Livelihoods in Transition Economies: Land, Peasants and Rural Poverty in Transition*, in Max Spoor, ed., (New York: Routledge, 2009), pp. 200-224.

³⁹ Walker, 'From Covert to Overt'; Alvin Y. So, 'Peasant conflict and the local predatory state in the Chinese countryside', *Journal of Peasant Studies*, 34(3-4), (2007), pp. 560-581.

media reports about protest actions against illegal rural land grabs in various parts of the country have continued to surface, even after the Rural Land Contracting Law (RLCL), which was supposed to prevent such abuses, was revised in 2003.

In our fieldwork, we have encountered farmers who complained bitterly at the deal that they received when their land was expropriated for urbanization. We have also met farmers who felt satisfied. Surprisingly, however, in contrast to cases in which farmland was taken for urbanization or industrialization, we encountered no cases where farmland was taken from farmers by agribusinesses to form agricultural production bases. Moreover, interviews with government officials, company managers, entrepreneurs, scholars and farmers revealed the depth and strength of the norms and regulations protecting the rights of farmers to their land. Not only are such norms about the sanctity of farmers' entitlement to farmland backed by formal regulations and traditional practices, they have also acquired moral weight. Many informants were even shocked at the idea of trying to remove the farmers from their land in order to pave the way for larger-scale agribusiness. Indeed, while the current system does limit the ability of agribusiness to obtain land, agribusiness still pursues its interest through dealing with farmers. Otherwise, the different relationships between agribusiness and farmers would not have emerged. If agribusiness could easily attain access to land, there would be little need for them to establish alternative and not necessarily advantageous relationships with the holders of land use rights. The current system thus has facilitated – not impeded – the modernization of agriculture in ways that empowered farmers.

In any case, the question is less whether land grabs, caused by rapacious local officials, occur. The key issue is how best to protect farmers. Land grabs are not stopped by the HRS, but the problem would be much worse without this institution. The 2008 policy recognizes that bolder efforts are needed to strengthen the protection of farmers' rights, and calls for

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implementing measures, such as broadening political participation, to keep local authorities in check. While central leaders have shown concern for these illegal land grabs, they recognize that they have only been able to redress a portion of these cases and only in a stopgap fashion.⁴⁰

Hence the government hopes to enhance local autonomy in the villages, and ensure that more direct, fair and orderly elections are held to allow rural residents to choose their representatives. The new policy also calls for greater transparency of public affairs, especially public finances, so as to encourage public scrutiny and wider public discussion that will help to restrain government excesses. Whether or not these measures make much difference, we fear that privatizing ownership of farmland would worsen the problem, because it would become normal for farmers to be landless in China.

Rural livelihoods

A fifth purported advantage of privatization would be to improve the material situation of rural residents. As mentioned earlier, due in part to high government purchasing prices and guaranteed purchases of agricultural surpluses, poverty in early years of the reform declined at a record breaking pace. According to most measures, China's headcount poverty rate declined rapidly from 1978 to 1984, and the urban-rural rich-poor gap declined for a brief period.⁴¹ However, when these policies were scaled back or withdrawn, the pace of poverty reduction flattened out between 1984 and 1989. With growing protests throughout rural China being tied

⁴⁰ O'Brien and Li, *Rightful Resistance in Rural China*.

⁴¹ Martin Whyte, 'Social trends in China: the triumph of inequality?', in *Modernizing China: Post-Mao Reform and Development*, A. Doak Barnett and Ralph N. Clough, ed., (Boulder, CO: Westview Press 1986), pp. 103-23.

to the groaning gap between rich and poor, an urgent issue is to discover ways to not only further reduce poverty, but also ensure that rural residents obtain their fair share of China's prosperity or are at least protected from volatile markets.

Farms currently lack capital; as in nearly all agricultural systems characterized by small-scale landholdings, institutional lenders find lending difficult and costly. Under the current system, farmers cannot use their land to borrow against, and have little else to use as collateral. Proponents of privatization argue that liberalizing the system would help farmers by providing a form of collateral that they can borrow against, giving them much needed capital to invest in productive assets. Critics counter by noting that, more than collateral, it is high costs that often prohibit formal lenders from lending to disperse, small-scale borrowers. For this reason, the ability to use land as a loan guarantee would more likely benefit not the farmer but the often-rapacious local moneylenders charging predatory interest rates. Moreover, the tiny plots of land that most households control are typically not very valuable, and would thus not generate much capital through loans. Most importantly, even if farmers could borrow formal or informal sources, it would likely exacerbate, not ameliorate, landlessness in China. Small-scale farmers are especially vulnerable to bad weather, chronic illness, slumps in demand, rising costs of inputs and other shocks. During these inevitable downturns, farmers with few other assets to service the loan face foreclosure on their land and, ultimately, landlessness. In many other countries, in such battles pitting powerful corporations against unorganized small farmers, the rise of agrarian capitalism proceeded in a *Grapes of Wrath* fashion, with capital owners consolidating land through dispossessing smallholding farmers.⁴² Our fieldwork in 2010 in

⁴² See, for example, Anirudh Krishna, 'Escaping poverty and becoming poor: who gains, who loses, and why?', *World Development*, 32(1), (2004), pp. 121-36.

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India, a country that lacks an equivalent to the HRS, quickly revealed that land is readily available for sale from poor peasants forced to sell due to expensive social obligations or unfortunate circumstances. These kinds of 'distress sales' are prevalent even in the states of Punjab and Gujarat, areas that are renowned as relatively successful in agriculture.⁴³ Thus, in China's case, we fear that farmers who borrow against their land, like many of their counterparts in India, will lose it when they cannot pay back money borrowed to cover social obligations or misfortune. In this way, one "advantage" privatization – that of being able to use the land as collateral to obtain loans – may legalize a mechanism that will enable banks, corporations, landlords and other powerful actors in the countryside to dispossess farmers of their land.

The government appears to have recognized the credit problem facing rural China. One of the important elements of the new central policy is to expand rural finance, broadening its reach to farmers. Specifically, the government plans to provide tax rebates and subsidies to attract more capital investments in the villages, and to facilitate the development of more small and medium banks in the rural areas. The government hopes that, with greater access to capital, farmers themselves will be able to invest in larger-scale, commercialized production while retaining control over their household land and labor. This goal might not be unreasonable: our fieldwork in rural China has already uncovered entrepreneurial and commercial farmers who

⁴³ Pratik Doshi, Priyanka Jain, Forrest Zhang, and John A. Donaldson. "Farmer, peasant, agribusiness and the state: transformations in the agrarian society of India and China." (Paper presented at the *Joint Conference of the Association for Asian Studies and International Convention of Asia Scholars*. Honolulu, Hawaii, USA, March/April 2011.)

have diversified and expanded their production, even without much support from formal lenders. If successful, this approach would empower these small farmers, reducing the ability of more wealthy or powerful actors from dominating or exploiting them. A more inclusive form of modern agriculture can hence be achieved.

In addition to expanding credit to farmers, the government's answer to the problem of rural lending would be to expand microfinancing services. One advantage of microfinance is its ability to penetrate into undeveloped areas. The availability of microfinance also means that farmers will be able to obtain capital without having to use their land as collateral. This would reduce their risks, and serve to ensure that the farmers will not end up landless should their crops fail. Small financing groups will be able to obtain capital from financial institutions, and qualified farmers will be permitted to establish their own microcredit cooperatives. The proposed development of the rural insurance market will further help to reduce the vulnerability and insecurities that farmers face by providing a greater range of agriculture-related insurance and risk management schemes. While microfinance has been subject to increasing criticism and the model has apparently not worked as well in China as it has in other developing countries, it may have untapped potential to bring additional credit to China's farmers.

Related to farmers' livelihoods, advocates for privatization argue that, by owning their land, farmers will be buffered in times of disaster. Natural disasters periodically plague China's countryside, making China's farmers vulnerable to forces outside their control and often less willing to take risks. The credit that could be extended to farmers using their private land as collateral would help farmers weather these bad times, helping to reduce vulnerability and periods of acute impoverishment. However, it is precisely during those situations that farmers will be most vulnerable to being dispossessed from their land. Moreover, under times of

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economic stress or natural disaster, when most farmers will be seeking relief, the price of land, typically not substantial in normal times, will likely plummet. By contrast, enhancing social welfare provisions and improving China's disaster management systems would be a superior policy tool to ensure that farmers attain a minimum level of well-being. In this regard, China's new central agriculture policy focuses on enhancing six main aspects of social well-being: cultural development, education, health, social security, basic infrastructure and environmental conservation. For example, equal opportunities to education will be ensured for children from low-income families, especially girls. Healthcare would be made more accessible with the establishment of at least one healthcare institution in each town or township. Access to emergency relief will be improved to provide greater security for those who are most vulnerable to natural disasters. Basic infrastructure such as water facilities, communication lines, postal services, roads and transport are to be expanded to improve the livelihoods of the farmer as well as to support rural development.⁴⁴ If successful, these initiatives, combined with augmented disaster management systems, should render farmers less vulnerable in the first place.

Migration and urban integration

A sixth argument for privatization is that the current system binds farmers to the land, making them reluctant to abandon their land rights to transfer to non-farms jobs and hindering

⁴⁴ This "micro-oriented" approach was also one that Hu Jintao adopted in Guizhou in the late 1980s when he served as provincial party secretary. See John A. Donaldson, 'Why do similar areas adopt different developmental strategies? A study of two puzzling Chinese provinces', *Journal of Contemporary China*, 18(60), (2009), pp. 421-444.

their integration into urban society. While more than one hundred million farmers have transferred from the countryside to the city, this process has been anything but smooth given the institutional barriers and discrimination that are common in urban China. Moreover, despite labor shortages in some areas, a great deal of underemployed labor remains in the countryside. In light of these twin challenges, privatization would encourage rural residents to transfer to cities and integrate themselves as permanent members of urban society, not as 'blind flows' of temporary rural labor. As it is, many farmers are reluctant to exit the countryside, fearing that the collective will reallocate their land to others during their absence. Secure property rights will ameliorate these concerns. Many migrants want to abandon their land in favor of far more attractive and lucrative opportunities in the cities. Under the current system, abandoning land outright means such families receive no compensation for the land they had been allocated – it is simply reallocated to other members of the collective. Private property rights would allow them to receive payment for their land, thus removing a disincentive for migration.

We disagree with this line of argument for a number of reasons. First, in practice, land use rights have not represented much of a deterrent to migration. Many migrants are surplus laborers from farming families – often the young son or daughter seeks their fortune in the city, leaving parents behind to farm their allocated land. Even when entire families migrate, they will rent, either formally or through handshake deals, their land to friends and relatives. Those cases where families abandon their land entirely suggest that the opportunities they discovered already outweigh any ties to the land. Second, this argument misunderstands barriers to migration. Some are deterred by low compensation and high costs of migration. Others are poorly educated, in poor health, elderly or otherwise poorly qualified for even so-called 'low skill' manufacturing and service jobs in the city. It is these factors, rather than land use rights,

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that has prevented further labor from migrating to cities. Third, the difficulties many qualified rural migrants have had in integrating into urban societies is not so directly linked to land rights, but rather related to harsh social policies – and often to pure prejudice. This is linked more to China's notorious household registration system that makes legal distinctions between rural and urban residents, relegating the former as second-class citizens and preserving a set of privileges granted exclusively to the former.⁴⁵

Fourth and finally, the millions of migrants who lost urban jobs in the wake of the global economic downturn the wake of the global economic downturn suggest that land use rights may actually encourage migration. Having land back home that they may have rented to friends, relatives or neighbors provides a hedge or form of insurance that not only emboldens potential migrants to migrate during previous periods, but also serves as a safety net when urban jobs disappear. Chinese farmers have land to which to return – many of their counterparts in other similar nations do not. Land as a form of social safety net undoubtedly reduces already tenuous social rifts. Lay-offs during difficult times are never easy, and migrants throughout the world are especially vulnerable. However, the majority of migrants – though of course not all – in China have either land or income from their land use rights that will keep them from desperation in case of temporary or long-term job loss. Given the precarious climate that pervades many rural areas in China, it is important that it remains this way. Due to the HRS, Chinese migrants are in a position, all but unique among developing countries, of having a place to go to dampen the disruptions of joblessness.

⁴⁵ Dorothy J. Solinger, *Contesting Citizenship in Urban China: Peasant Migrants, the State, and the Logic of the Market* (Berkeley: University of California Press, 1999).

The government's new policy addresses actual disincentives to migrate by strengthening laws that protect the rights of the rural migrants and attempting to close the gap in living standards between the rural migrants and urban locals. The government also plans to speed up the process through which rural migrants with stable employment can obtain permanent resident status in the cities in which they work. Additionally, the government is also attempting to enhance urban-rural integration to facilitate the transfer of capital, skills and know-how from the cities to villages, thereby speeding up the process of agricultural modernization.

Conclusions

In sum, many of the ostensible advantages of privatization—that of raising agriculture output, increasing labor efficiency, promoting scaled-up and modernized farming, protecting farmers' rights, improving farmers' welfare, and promoting migration, urbanization and industrialization—are better achieved through enhancing the current policy. The central state has taken steps to maintain and strengthen the current approach. Thus, it is surprising that analysts and reporters, both inside China and without, have emphasized the policy's supposedly radical new approach to land ownership (actually nothing new), while largely ignoring the other significant aspects of this policy.

Overall, proponents of privatization point to one of the bases of the market system, that of voluntary exchanges. Why should farmers be denied the right to sell their land if they want or need to? We would argue that many other rights are inalienable, and should not be allowed to be bought or sold. Americans are not allowed to sell their right to vote to others, and Canadians cannot mortgage their right to health care in exchange for cash—no matter how urgently needed. Moreover, as mentioned above, surveys indicate that farmers indeed do not want land to be privatized, largely preferring the egalitarian basis of the current system.

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Further, in conditions of poverty, where hunger is rife, a salient issue becomes how 'voluntary' exchanges actually are. In situations where the rich and powerful can exploit the poverty of others, desperate people will do nearly anything. However, in selling their land, China's farmers would be losing an important form of social insurance and diversification crucial for their long-term well-being, and often their only productive asset besides their labor.⁴⁶

Moreover, privatization would alienate rural residents from one of the few rights that they retain from socialism.⁴⁷ During Mao's era, the regime implemented a cradle-to-grave system wherein urban citizens would be fully employed and tied with their 'work-unit.' Housing, health care, education, old-age pensions and even leisure activities were all part of the iron rice bowl organized by the state. This legacy, far from a workers' paradise in practice, has been in the past two decades nearly fully dismantled in favor of the market system, leaving many who are poorly positioned in the market hierarchy relying on a frayed and poorly institutionalized welfare system. More importantly, during the entire socialist period, all of these privileges were reserved for urbanites only. Despite the pivotal role that farmers played as foot soldiers and leaders of the revolution, under China's socialist system, access to land was

⁴⁶ Linxiu Zhang, Scott Rozelle and Jikun Huang, 'Off-farm jobs and on-farm work in periods of boom and bust in rural China', *Journal of Comparative Economics*, 29(3), 2001, pp. 505-26; Xiaoyuan Dong, 'Two-tier land tenure system'.

⁴⁷ Guo Sujian, 'The ownership reform in China: what direction and how far?' *Journal of Contemporary China*, 12(36), (August 2003), pp. 553-573.

essentially the one 'right' that all rural residents possessed. With the HRS at least, rural residents retain this one privilege over urbanites.⁴⁸

Privatization, however, would remove land entitlement based on ascriptive membership in favor of an economic, property rights, which we have argued privilege the wealthy and powerful, and will likely exacerbate landlessness. One need only look to China's cities for an example of this phenomenon. When China's leaders marketized the housing, education and employment system in urban China 1990s, only urban residents who were well placed – either via human resource endowment or political power – were able to take full advantage. Marketization drove the rapid rise in many economic indicators in China, but these aggregate statistics concealed the yawning inequities that have emerged in China's metropolises. Doing the same in rural China could possibly increase China's GDP, but would do so only at the expense of the vast majority of more vulnerable rural residents.

It is for these reasons that we disagree with most of the arguments that experts both within and outside of China have offered that the privatization of land, or allowing the permanent sales of land use rights, would benefit China's hundreds of millions of farmers, or even for the country itself. Examining some of the strongest arguments presented by advocates for land privatization in China makes it clear that the benefits of this kind of policy are exaggerated, while the costs of such a move would be high. In addition, we argue that collective ownership protects agricultural producers, incompletely and to various degrees, from

⁴⁸ For this reason, two observers labeled the HRS as 'anachronistic,' arguing that this last vestige of socialism creates illegal land development. See Wooyeal Park and Kihyun Lee, 'I want to be expropriated! The politics of *xiaochanquanfang* land development in suburban China', *Journal of Contemporary China*, 21(74), (March 2012), pp. 266-268.

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domination, exploitation and dispossession by outside capital. Nearly all of the agribusiness companies that we interviewed in rural China expressed a desire to expand their production bases. The primary barrier to expanding these bases is the lack of land – or, put in another way, the difficulty in wresting control of collective land from rural households. In many other countries, battles pitting powerful corporations against unorganized small farmers have led to the dispossession of smallholding farmers. In China, farmers' protected land rights represent a tool to resist pressure from companies. The HRS is an imperfect tool. Nevertheless, because this tool is in place, agricultural modernization in rural China has progressed in more equitable ways. Hundreds of millions still depend on the HRS institution. Privatization of land is not the answer to the problems of rural China.

Non-final version