

Capitalist agriculture without land privatization in contemporary China

René Trappel

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One of the common assumptions of agrarian political economy is that the development of capitalist farming requires well-protected private property rights over farmland. Agrarian change in China in recent decades defies this conventional wisdom. Contract farming arrangements between smallholders and agribusiness companies have become increasingly common. Private farms (managed by wealthy farmers and agribusiness companies) employing wage labour have also spread rapidly. Interestingly, these developments have taken place in the absence of private landownership. According to the Household Responsibility System (HRS), implemented since the decollectivization of agriculture (1978–84), village collectives are the legal owners of farmland. There is no clear legal definition and institutional blueprint of the village collective. In fact, the Chinese central government and local governments have strong control over rural land transactions. Individual households only have land use rights and are not allowed to buy, sell or mortgage farmland. Rapid development of capitalist agriculture without private landownership in contemporary China is a puzzle deserving close scholarly attention.

René Trappel's book, *China's Agrarian Transition: Peasants, Property, and Politics*, is to date the most comprehensive and soundest analysis of this phenomenon. The book is based on Trappel's fieldwork in Laixi (a county-level city in Shandong province), Anju (a district under the jurisdiction of Suining city of Sichuan province), and Meitan and Xifeng counties (of Guizhou province) between 2008 and 2010, supplemented by a close reading of a large number of secondary sources. In the introduction of the book, Trappel notes that unlike most of the previously non-capitalist regimes that privatized farmland in the 1990s, China has retained the HRS. Contrary to the conventional wisdom viewing the absence of private landownership as an obstacle to the development of capitalist farming, Trappel makes a compelling case that China's capitalist agrarian transition 'is taking place not despite socialist property institutions but rather is enabled by them' (p. 2).

In Chapter 2, Trappel argues that farmland has been partly commodified in China through the mediation of state-directed institutions carrying out rapid and larger-scale land transfers from small peasants to wealthy farmers and agribusiness companies through long-term lease agreements. He explains this peculiar form of commodification of farmland (dependent variable) through an analysis of three independent variables: changing property institutions, class differentiation of the Chinese peasantry, and rural politics (p. 27–39).

Chapter 3 focuses on the changing property institutions in rural China. It provides the reader with a careful and detailed account of the HRS and the various legal and practical changes it has undergone since the 1980s. He reminds us that Chinese leaders

(such as Du Runsheng) advocated the decollectivization reform, claiming there was an inverse relationship between farm size and agricultural productivity (p. 46–47), a theory that has been popularized especially by Western scholars. The stagnation of agricultural growth in the mid-1980s (p. 49–50) ended this optimism regarding the productive capacity of family farming (p. 60). Since at least the early 1990s, Chinese leadership has emphasized the advantages of increasing the scale of farm production (p. 57). Despite the rapid rural outmigration since the 1980s, the government has also called for moving the majority of villagers out of farming in order to consolidate farmlands in fewer hands (p. 60). As the increasingly capitalist character of the Chinese political economy rules out the return to collective agriculture, the party-state has generously supported the private sector (including agribusiness companies, wealthy farmers and farmer cooperatives dominated by the two) in its efforts to modernize agriculture (p. 65). The Chinese government has revised the HRS according to this goal. Renting land has been allowed since 1988 (p. 55). The Law on the Contract of Rural Land (2002) defined various ways to transfer land from smallholders to larger scale producers such as subcontracting, leasing, exchange and transfer (p. 61). In 2005, the Ministry of Agriculture began allowing the permanent transfer of contractual rights over land (p. 63).

Trappel's account underscores the tension between two policy trends. On one hand, the Chinese government has strengthened land use rights of rural households by extending households' contract duration to 30 years in 1993, placing stronger restrictions on village administrations' authority to periodically reallocate land for egalitarian/redistributive purposes in 1997 and emphasizing the necessity of fairly compensating households in land acquisitions in the 2007 Property Law. On the other hand, it has refrained from legalizing private landownership and opted to maintain much of its authority in land transactions (p. 56–64). The Chinese government has also continued what Peter Ho calls the 'deliberate institutional ambiguity' of the rural land system. According to Chinese law, the 'village collective economic group' is responsible for rural land management, but 'there is simply no such organization' (p. 53). In fact, local administrations above the village level, especially the county and provincial governments, have strict control over land transactions including land transfers to (agrarian, industrial and real estate) capital (p. 58–59, 70). Land acquisition in the name of 'public interest' is another area of deliberate institutional ambiguity. Since the boundary of 'public interest' is not clearly drawn by law, any land acquisition for the sake of economic development can be defined as an action for public interest. This has enabled the local governments to quickly expropriate rural land, without giving sufficient compensation to households. In fact, 'the guiding principles and the calculation of the compensation has seen astonishingly few changes' since the early 1980s (p. 53). By compelling local governments to transfer a large portion of land-based income to the centre, the central government becomes the main facilitator and beneficiary of the deliberate institutional ambiguity (p. 70–71). Land-related protests have recently pushed the government to give higher compensation to rural households (especially in coastal regions), but the definition of 'public interest' and 'fair compensation' remains a burning question (p. 75–76).

Chapter 4 focuses on agrarian class differentiation in China, beginning with a comprehensive analysis of the deepening proletarianization of the peasantry. Based on the existing surveys and his fieldwork, Trappel states that 'a conservative estimate on the

income imbalance between smallholding and wage labor would be a ratio of 1 to 5, but 1 to 10 and higher seems very possible' (p. 85). Although cash crop production brings higher returns, subsidies are mostly allocated to large-scale producers (p. 91). As a result, 'many villagers have opted for a perhaps easier way to improve their income by going to the cities as wage labourers' (p. 86). Cultural factors also trigger the proletarianization process. Younger generations of villagers find rural life unattractive and leave their villages (p. 86–87). Although there are documented instances of involuntary/coercive land transfers in contemporary rural China (Ping & Wang 2014), deepening proletarianization generally facilitates relatively voluntary land transfers (p. 96).

Chapter 5 investigates local officials' stakes in the development of capitalist farming. The abolition of the agricultural tax in 2006 and the compulsion to transfer a larger part of local taxes to Beijing has increased the financial burden of the local governments (p. 103). Cash-strapped local administrations view capitalist agriculture as an opportunity to increase their revenues and investment capacity. Trappel suggests that the tax contribution of capitalist agriculture would not be significant (at least in the short run) because the central government receives much of the local tax. The true significance of capitalist farming for local government finance lies in the 'obligatory donations' of agribusinesses and capitalist farmers. For example, entrepreneurs paid one-quarter of the local agricultural infrastructure project in one of Trappel's fieldwork sites in 2008 (p. 110–111). Moreover, developing capitalist agriculture helps the local cadres' career advancement. Government officials' belief in the superiority of large-scale farming also shapes their practices. Hence, rural cadres are motivated to transfer farmland to capitalist agriculturalists (p. 111–114).

Chapter 6 analyses the content and forms of farmland transfers. Trappel provides rich fieldwork-based empirical material concerning land transfer cooperatives, specialized cooperatives, land transfer service centres and land shareholdings through which township and county governments carry out long-term and large-scale land transfers (p. 129). In addition to the weakening of family farming and the urban orientation of new generations (discussed in Chapter 4), this chapter presents the government's control over farmland as a key factor behind relatively low-cost and efficient land transfers: 'The commodification of farmland via a rental system has been designed as a layer on top of an administrative land management still rooted in the previous socialist land administration. Administrative rights of local governments to determine usage and change ownership of farmland compete with individualized and commodified usage rights of the villagers. This arrangement has a huge impact on the actual value of the land for the villagers' (p. 150). Because villagers do not have ownership rights, their bargaining power is limited in land transactions, which decreases the transaction costs for the agrarian capital: '[The] Chinese state has created specific avenues to replace frustrated owners of usage rights with those individuals and organizations it deems better suited to achieve its goal of a modern, profitable, and efficient agriculture ... Villagers ... seemed willing to accept the commodification of their farmland via these instruments because this was one of the few options to profit at least to some degree from their limited property rights' (p. 150). Trappel then examines the impact of the landownership system on class relations. He finds that capitalist agriculturalists are usually 'able to select from a variety of cheap labor' (p. 151). Villagers receive rental fees 'ten to twenty times less than the profit (not

revenue) agricultural investors will earn' in most land transfer contracts (p. 128). Contracts usually include a long time frame (about 20 years). While villagers are not allowed to easily terminate their contracts, entrepreneurs can do so if their investment is not sufficiently profitable (p. 128).

In Chapter 7 (Conclusion), Trappel suggests that on top of the advantages of strong government control over farmland for the development of capitalist agriculture, the Chinese government's political stability concerns also play a role in the maintenance of the HRS. Land privatization may strengthen 'centrifugal forces' and 'push rural China into a stage of institutional transition with many uncertainties and potential risks for social stability'. 'Looking at the past achievements in creating a market for agricultural land' based on the current system, land privatization does 'not seem to be a pressing issue' (p. 152).

While *China's Agrarian Transition* is a welcome new study based on solid fieldwork, the author has unfortunately neglected some crucial sources on the topic. First, Trappel's discussion of the decollectivization reform's impact on agricultural productivity between 1978 and 1984 is somewhat problematic. Trappel first suggests that the countryside greatly benefitted from the reform (p. 45) but later qualifies this statement, noting that 'if we add other data and policies to the picture, the situation becomes much more complicated and the combined effects of a new freedom in agrarian management decisions and an egalitarian distribution of land lose some of its magic' (p. 48). This point is correct but insufficient. If we examine Jae Ho Chung's (2000: 64–65) data on the HRS adoption rates between 1978 and 1984 and Zhun Xu's (2012) quantitative analysis of the factors behind agricultural productivity growth during the same period (unfortunately not cited in the book) the HRS's impact on productivity loses not some but *all* of its magic. Second, although Trappel critically engages with some of the works of Qian Forrest Zhang and John Donaldson, he does not discuss their article (Zhang & Donaldson 2013), arguing that the HRS increases the bargaining power of small peasants vis-à-vis the agribusinesses. Finally, Trappel's critique of Robert Brenner's neglect of the role of the state in capitalist agrarian transitions (p. 24) is strong but could go further by arguing that Brenner's analysis does not broach critical questions such as whether state ownership of farmland (legally disguised as collective ownership in China) can play a supportive role in the development of capitalist agriculture. In fact, based on the theoretical framework of Brenner (and Ellen Meiksins Wood), Charles Post's (2008: 323–324) piece (again not cited in Trappel's book) claims that the Chinese countryside is 'decidedly non-capitalist' because 'village authorities still have control over land use'. Trappel's book provides sufficient empirical material for a critique of such claims. Therefore, an explicitly critical engagement with these studies could have strengthened Trappel's theoretical contribution further.

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Sraffa versus Marx: why bother?

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Radical Political Economy: Sraffa versus Marx, London: Routledge, 2017; 110 pp.: ISBN 9781138050037, £21.99pb

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Robin Hahnel is the Professor Emeritus of the Department of Economics at the American University in Washington DC. Hahnel's *Radical Political Economy: Sraffa Versus Marx* argues that 'Sraffian theory can now provide a stronger basis for radical political economy in the twenty first century than formal Marxian economic theory' (p. vii). In an accessible and lively fashion, Hahnel describes the key elements of the Sraffian physical price alternative to Marx's labour value theory. He argues that 'labour values unnecessary, i.e. redundant, they also mislead analysts about the process of price formation under capitalism' (p. 2).¹ Instead of Marx's theory of surplus value, 'Sraffians explain profits as the results of employers expropriating part of the surplus of goods produced in a productive economy from those who produced them' (p. 3). Sraffa's theory avoids the 'mistaken belief that capitalist profits derive only from the amount of labour they hire, when in fact profits derive from a markup on non-labour as well as labour costs of production' (p. 3). Hahnel's directness is to be applauded. His assertion of the superiority of Sraffa's theory provides a very clear opportunity to assess its viability as an alternative to Marx's model. Hahnel's argument hinges of the use of linear algebra and the assumptions necessary to make it work. Hahnel considers that, as Marx lacked this key mathematical tool, so he applied a redundant methodology that valued commodities (or explained price) by the amount of labour required to produce a given output (p. 5–6).

Basic goods, relative prices and the measurement of value

Hahnel starts with his version of Adam's Smith's nation of hunters. If, Smith explained, 'it usually costs twice the labour to kill a beaver which it does to kill a deer, one beaver should naturally exchange for or be worth two deer' (Adam Smith, cited in Hahnel (p. 5)). According to Hahnel, Smith assumes that 'there is only one "primary" input in