

# Semi-private Landownership and Capitalist Agriculture in Contemporary China

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## Abstract

Although the existing scholarship on the capitalist transformation of Chinese agriculture uses the concepts of the Marxist political economy to analyze class differentiation, it has not systematically analyzed the role of the Chinese state (as manifested in the current semi-private land system) in this transformation with reference to Marx's theory of agricultural rent. Capitalist transformation of Chinese agriculture in the context of continuing strong government control over farmland provides a unique opportunity to assess the validity of Marx's hypothesis that private landownership is a barrier to capitalist development in agriculture and that state ownership of land is a possible way to overcome it. Analysis highlights two advantages of the current system for the capitalist transformation of Chinese agriculture. First, by enabling local governments to transfer large and consolidated tracts of farmland to agribusiness companies and large farmers and relieving them from the burden of dealing with each and every private owner for land access, the semi-private landownership system minimizes the transaction costs incurred by agrarian capital. Second, farm workers are guaranteed access to small plots of land and this subsidizes agrarian capital by reducing the costs of the reproduction of labor power, thereby putting downward pressure on wages.

**JEL Classification:** P32, P1

## Keywords

China, capitalist agriculture, land privatization, state, peasant

## 1. Introduction

Land tenure has always been one of the central subjects in the studies of agrarian transformation under capitalism because land is among the most important means of agricultural production and differences in terms of access to land is a major determinant of agrarian class differentiation. These studies also argue that two kinds of changes in the legal system are necessary to develop capitalist agriculture. First, land should be transformed into a commodity that can be freely exchanged in the market. Second, laws should protect property owners against arbitrary encroachments by the government. Although a number of cases demonstrate that the establishment of

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private landownership is a long and complicated process, which usually follows the development of capitalist agriculture rather than precedes it (Lee 2010; Watts 1998),<sup>1</sup> it is nevertheless assumed that private landownership and capitalist agriculture need one another and so are determined to develop together (Amin 2011; Post 2008; Wood 1999).

The close association between private landownership and capitalist agriculture informed major attempts to overcome capitalist agriculture in the last century. The collectivization of agriculture in the Soviet Union in the late 1920s, in the People's Republic of China (PRC) in the mid-1950s, and in several other regions (from Eastern Europe to East Asia) during the second half of the twentieth century are primary examples. Interestingly, some capitalist countries also violated the private landownership principle at least partially. For instance, the Mexican Constitution of 1917 effectively decommodified a substantial part of Mexico's land by declaring collective property that could not be exchanged in the market (Lewis 2002: 404).

State ownership of urban land has remained intact from the foundation of the PRC in 1949 until today. The decollectivization of Chinese agriculture (1978–84) was not followed by land privatization. According to the Household Responsibility System that emerged out of the decollectivization reforms, village collectives retain the ownership of farmland and contract land use rights to rural households. Local government branches higher in authority than village collectives (townships, counties, and provinces) have strong (*de facto* and *de jure*) authority over land exchanges. Households can rent out farmland but are not allowed to buy, sell, or mortgage it.<sup>2</sup> It therefore seems suitable to call rural China's current land system "semi-private."

The development of capitalist agriculture in contemporary China is a well-established fact. A class of capitalist farmers has emerged by differentiating themselves from small landholders through increasing their scale of production. More importantly, urban capital is rapidly being used by agribusiness companies to engage in various forms of capitalist production relations, including contract farming and setting up farms employing wage labor (Luo and Andreas 2018; Trappel 2011, 2016; Yan and Chen 2015; Zhang and Donaldson 2008). Interestingly, this development has taken place without private land tenure.

The existing scholarship has so far given little consideration to the possibility that semi-private landownership may provide an effective base for the development of capitalist agriculture. For instance, Charles Post (2008: 323–4) denies the development of capitalist agriculture in China and asserts that the current land system is the primary factor of this non-development:

While TVEs [township and village enterprises] and household assets have been privatized, village authorities still have control over land use—including whether or not to continue agricultural production or lease land to privately owned domestic and foreign industrial firms... there is little social differentiation of the rural producers with many urban workers maintaining possession of their village plots which they in turn lease to less well-off villagers. In sum, while most urban enterprises and workers are subject to market coercion, the Chinese countryside remains decidedly non-capitalist.

Similarly, Amin (2011: 79) argues that "the radical peasant revolution got rid of the very idea of private ownership of agrarian land" and "up until now, this decisive advantage... constitutes the major obstacle to a devastating expansion of agrarian capitalism" in China.

Hence, the case of contemporary China enables us to revisit widely held assumptions and misconceptions about the relationship between private land tenure and capitalism. By systematically analyzing the relationship between semi-private landownership and capitalist development

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<sup>1</sup>For an early analysis of the complex relationship between land tenure and capitalist agriculture see Marx [1894] 1991: 754; Engels (1874).

<sup>2</sup>For detailed information on landownership in rural China the reader may refer to Ho (2005).

in contemporary Chinese agriculture, this paper advances three main arguments regarding the advantages of this system. First, it criticizes a current scholarly assessment of the role that farmers' access to land can play in bargaining with agribusiness capital in China. I argue that although land access plays a supportive role for farmers in certain situations, it also generally favors capital by externalizing the costs of the reproduction of farm labor to small-scale farming that workers carry out on their family land, hence reducing labor costs for the capital. Second, in contrast to the influential argument that land privatization leads to the concentration of land in few hands and thus generates a large landless population, this paper proposes that private land tenure does not necessarily lead to land concentration or peasant dispossession. Third, by enabling local governments (at the village level and above) to transfer large tracts of land to agribusiness companies and capitalist farmers, hence relieving them from the burden of dealing with each and every household to access land, the semi-private landownership system reduces the transaction costs and assists capital accumulation in Chinese agriculture.

Based on these analytical findings, this paper argues that one possible reason (among many other possible reasons) behind the Chinese government's reluctance to fully privatize land is its recognition of the fact that the current semi-private land system is capable of supporting capitalist agriculture and serving the interests of China's new agrarian bourgeoisie better than a completely private land system. Hence, this paper invites further research on the comparative advantages of semi-private landownership (*vis-à-vis* other land tenure types) for capitalist agrarian development in China and elsewhere.

This paper consists of six sections. After this introduction, Section 2 explains the theoretical significance of capitalist agriculture without land privatization in contemporary China with reference to Karl Marx's theory of agricultural rent. Section 3 investigates the relationship between the wage level and limited land access of the Chinese farm workers laboring in capitalist farms. Section 4 demonstrates that private landownership has actually become an obstacle in the way of developing capitalist farming in the Global South and the former non-capitalist states that privatized land in the early 1990s. Section 5 examines the advantages of semi-private landownership for China's emerging agrarian capital in terms of accessing large tracts of land rapidly and without significant financial cost. The conclusion summarizes the main arguments of this paper.

## 2. Marxist Theory of Agricultural Rent and the Chinese Land Policy

A growing literature on Chinese land policy (Cui 2011; Ma 2013; Hsing 2010; Rithmire 2017) has investigated local governments' land transfers to private industry and real estate in the cities. The existing literature has also analyzed in detail the significant contribution of these transfers to the revenues (and thereby the developmental and welfare provision capacities) of the central government and local governments in China. Based on this literature, Huang (2011: 575) stresses that the Chinese state's scope of eminent domain is larger and its capacity to carry out large-scale land acquisition is stronger than that of Western governments.<sup>3</sup> This paper concurs with and is

<sup>3</sup>Huang (2011) and Cui (2011) draw parallels between Henry George's theory of land property and the Chinese land system. George made a damning critique of private landownership and made a strong case for government control over land. Differing from Marxists, George believed that the private sector should be protected to keep the level of productive incentives for individuals—and thereby material progress—high. On the other hand, George proposed that the state should levy a sufficiently high land tax that should increase in tandem with the annual increase in land prices in order to counter unproductive and unjust rentierism. This sort of tax policy can effectively suppress the speculative tendencies and also enable the state to finance development and welfare programs (George [1879] 2006, 1891, [1883] 1981, Obeng-Odoom 2016).

inspired by this literature, but it goes beyond it by investigating the supportive role of the current semi-private land system in the rapid development of capitalist agriculture in China.

Although some recent studies (Luo and Andreas 2018; Trappel 2011, 2016; Yan and Chen 2015; Zhang and Donaldson 2008) use the conceptual tools of the Marxist political economy in their analyses of class differentiation in Chinese agriculture in recent decades, there is surprisingly no study that draws from Marx's theory of agricultural rent to investigate the role of the state—specifically manifested in the current semi-private land system—in this transformation. This theory is particularly helpful to make sense of current Chinese practice in two important respects. First, unlike most of the later (Marxist and non-Marxist) literature on agrarian change, Marx viewed private landownership as a barrier to capitalist development in agriculture. For Marx (Marx and Engels [1975]:124, cited in Neocosmos 1986: 31), “landed property may in effect also cease to exist where the capitalist and the owner of the land are one and the same person.” However, this is often not the case and capitalists have to pay rent to the landowners. This compulsion creates a significant obstacle to the development of capitalist farming:

The conflict between the price of land as an element of the cost price for the producer and as a non-element of the price of production for the product... is just one of the forms expressing *the contradiction between the private ownership of land and a rational agriculture*, the normal social use of the land.... Here, in the case of small-scale agriculture, the price of land, as a form and result of private property in land, appears as a barrier to production itself. *In the case of large-scale agriculture and large-scale landed property resting on the capitalist mode of operation, property similarly appears as a barrier, since it restricts the farmer in the productive investment of capital, which ultimately benefits not him but the landowner.* (Marx [1894] 1991: 948, emphasis added)

Marx also thought that the small-scale landowning peasantry comprises another obstacle to the supply of farmland to agrarian capital. Peasant households refuse to transfer their land to capitalist farmers due to their ability to suppress consumption:

The smallholding peasant's exploitation is not limited by the average profit on capital, in as much as he is a small capitalist; nor by the need for a rent, in as much as he is a landowner... He cultivates his land as long as the price of the product is sufficient for him to cover this wage; and he often does so down to a physical minimum. (Marx [1894] 1991: 941–2)

In France, it is true, the soil is accessible to all who can buy it, but *this very facility has brought about a division into small plots cultivated by men with small means and mainly relying upon the land by exertions of themselves and their families...* Enchained to the soil upon which he has to spend all his vital energies in order to get a relatively small return... *still he clings with fanatic fondness to his bit of land* and his merely nominal proprietorship in the same. (Marx 1872, emphasis added)

Marx stressed that bourgeois intellectuals acknowledged private landownership as an obstacle to capitalist farming:

[W]e find this denounced as such an obstacle time and again, both in the last century by James Anderson, the true discoverer of the modern theory of rent, who was also a practicing farmer and for his time a significant agronomist, and in our own day by the opponents of the present arrangement of landed property in England... Quite conservative agricultural chemists, such as Johnston, for example, admit that private property places insuperable barriers on all sides to a genuinely rational agriculture. So too do writers who are professed defenders of the monopoly of private property in the earth, such as M. Charles Comte. (Marx [1894] 1991: 754, 757)

This tension between private landownership and capitalist agriculture underlines Marx's perception that the nationalization of land is possible under capitalism. In fact, according to Hussain and Tribe (1983: 13-14, emphasis added):

[Marx] regarded the nationalisation of land as an economic necessity under capitalism and as something which could well be demanded by a bourgeois liberal party... *In general terms the case against private property in land is that the existing distribution of land, either among individuals or among farms is not what is required for efficient cultivation, and that private property helps to perpetuate that distribution.*

Later generations of Marxist theorists underscored this point. For instance, Kautsky ([1899] 1988: 332) wrote, “The nationalisation of landed property is therefore already possible within capitalist society: it can be accomplished whilst retaining commodity production.” Similarly, Lenin (1908) noted, “we must undoubtedly say—if we do not want to differ from Volume III of *Capital*—that the nationalisation of the land is possible in bourgeois society, that it promotes economic development, facilitates competition and the influx of capital into agriculture.”

Based on these insights, it appears that state ownership of land is capable of supporting the development of capitalist agriculture if the state transfers large and consolidated blocks of land under its control to agrarian capital with reasonably low prices. Nevertheless, assessing the validity of this hypothesis had not been possible due to the dominance of private landownership in all major capitalist countries until the late twentieth century. The opportunity to make such an assessment has become available during the capitalist transformation of Chinese agriculture without land privatization in the last few decades. Hence, the Chinese case is significant for the (re)construction of the political economy of agrarian change rather than simply due to China’s giant scale. As the rest of this paper shows, strong government control over farmland has enabled the rapid, large-scale, and low-cost transfer of farmland to agrarian capital in China. In making this point, this paper invites further empirical research and theoretical discussion of the Chinese case.

### 3. Access to Land and the Cost of Labor Power in Agriculture

The relationship between China’s land system and capitalist agriculture is an important theme in debates about land privatization. Zhang and Donaldson (2013: 261) argue that land privatization will create a new agrarian structure in China, which will enable capitalists to decrease the cost of labor power. They propose that “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.” This argument requires an explanation of the primary cause(s) of this possible outcome. Will labor costs decrease because of the landlessness of the farm workers, because of increasing unemployment due to decreasing labor demand by employers, or both? Although Zhang and Donaldson do not directly answer this question, they identify that landlessness of the farm workers will be an important factor:

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 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*... The land use rights have provided farmers a measure of power in their negotiations with agribusiness companies. (2013: 263, emphasis added)

In order to assess the credibility of this argument, we first need to carefully distinguish between two different types of capital-labor relationship in Chinese agriculture. The first type is the capital-labor relationship in which capital needs to use farmers’ land in order to establish a capitalist

farm. Since selling land is out of the question, what farmers bargain for is usually a decent paying job in the company farm in exchange for use of their land. This is essentially a land exchange rather than simply a bargain between an employer and an employee. Land is indeed the bargaining chip here and will likely be effective for getting a good deal from agribusiness companies. However, swapping land for farm jobs is not always the case in China (Trappel 2016: 7). There are also cases in which companies do not meet their job provision promises after receiving land from villagers (Li 2014: 17). Moreover, as we show below, farm workers receive low wages. Hence, land as a bargaining chip does not always bring substantial concessions from agrarian capital. We also need to look at the second type of capital-land relationship in which company farms are established somewhere else and so companies do not need to acquire farmers' land. This second type gives us the opportunity to directly observe the impact of farm workers' access to land on their farm wages.

In order to determine the real impact of small landownership on worker wages in contemporary China, we need to assess the level of stability of smallholder farming in the country. This is necessary because, as the literature on the relationship between landownership and workers' wages (Arrighi, Aschoff, and Scully 2010; Gürel 2011; Kautsky [1899] 1988; Lee 2007; Pun and Lu 2010; Qi and Li 2018) demonstrates, smallholder agriculture can have very different types of impacts on wages. The sufficient returns from smallholder farming decrease the pressure of proletarianization on the peasantry, puts certain limits on the labor supply, and therefore creates upward pressure on wages. Conversely, if the return to smallholder farming is insufficient, the pressure of proletarianization on the peasantry increases. This can lead to two different types of proletarianization. If peasants voluntarily sell their land or are dispossessed by force, they become fully proletarianized. Full proletarianization creates downward pressure on wages only in the *short term*, because recently-proletarianized masses, who have no source of income except their labor power, are ready to accept low wages for their immediate survival. However, various national cases show that full proletarianization can harm capitalist interests in the *long term*, because the lack of non-wage sources of income is likely to change the attitude of the working class toward class struggle over time from relative passivity to increasing militancy. This shift increases the bargaining power of the workers and results in rising real wages. On the other hand, if villagers keep their land while being employed outside, they are semi-proletarianized. Semi-proletarianized workers' remaining access to farmland partially covers the cost of reproducing their labor and subsidizes their wage income. As the case of China as well as many other country cases show, remaining access to land enables workers to shift the responsibility of childcare to old family members while the parents work outside the village. It also enables them to obtain a part of their food consumption from their own land. Hence semi-proletarianization enables the employers to keep wages to the point that is not significantly higher than the reproduction costs of a single worker rather than giving her a family wage. Workers' access to farmland creates a downward pressure on wages to the point where that access (and the resulting farm income) becomes very limited.<sup>4</sup>

A close look at the case of contemporary China reveals that semi-proletarian conditions have been the norm for most workers of rural origin. On average, unskilled work in non-farm sectors

<sup>4</sup>In their comparative study of semi-proletarianization in China and South Africa, Zhan and Scully (2018: 1032) claim that Lee (2007) and Pun and Lu (2010) "were concerned that the semi-proletarian status of migrant workers would reduce their activism" but "the comparison with South Africa shows that such concern is unwarranted. In the 1970s and 1980s, migrant workers in South Africa were one of the most active forces in fighting for equal work and citizenship rights." As noted above, Lee and Pun and Lu actually identify migrant workers' weakening access to farmland as a critical factor behind rising labor protest in China. Zhan and Scully (2018: 1022) note that in South Africa, "restricted access to land limited the possibility to expand agricultural income... the South African state wanted rural income to subsidize urban wages, in practice the subsidy effect was limited." Hence, Zhan and Scully's data actually confirm the analyses of Lee and Pun and Lu.

earns two-times to five-times more than what family farming can earn (Kung 2002: 401; Trappel 2016: 85). Insufficient returns to small-scale farming constitute the precondition of the proletarianization of the Chinese peasantry:

It is the family farm that lends the migrant-worker away from home a substitute for the benefits he or she is not getting from urban work, as well as security in the event of dis-employment or unemployment and in old age. This while that same worker helps supplement the *otherwise unsustainably low incomes* of the auxiliary family members engaged in underemployed farming of small plots for low returns. So long as substantial surplus labor remains in the countryside, the key structural conditions for this new half-worker half-cultivator family economic unit will continue. It helps sustain in the cities cheap labor in industry and services; it also helps sustain low-return farming in the countryside. (Huang, Yuan, and Peng 2012: 164, emphasis added)

In other words, contrary to Post's above-cited claim (2008: 324), Chinese villagers are subject to market coercion despite their continuing access to farmland. As a result of successive waves of labor migration, the share of urban population within total population increased from 19 percent in 1980 to 56 percent in 2015 (World Bank 2015). The number of migrant workers rose from 67.1 million in 1985 (Yang 2012) to 281.7 in 2016 (MOHRSS 2017). Within this context of the semi-proletarianization of the Chinese peasantry, "land is both an asset and a liability; it reproduces the labor power of migrant workers but it also compels their participation in waged employment" (Lee 2007: 230). By partially covering the costs of the reproduction of the labor power, workers' access to land assists the employers to keep wages relatively low (Lee 2007: 23, 204).

In fact, in the urban private sector, where migrant workers comprise the great majority of the workforce, by 2009 workers received only about 60 percent or less of their "living wage," i.e., the wage level that is "sufficient for the social reproduction of [their] labor power." If private enterprises paid "strictly according to the living wage standard, they would have paid an extra 3.6 trillion Yuan for wages in 2015, which was equivalent to 5.2 percent of China's GDP" (Qi and Li 2018: 8–9). Dispossessing the workers from their land will be counterproductive for capitalist interests by changing the perception of the Chinese working class toward class struggle. Although there is not a large-scale dispossession of the peasants by force, the deepening of proletarianization due to the continuous weakening of the migrant workers' link to farming is a key factor behind increasing labor unrest in contemporary China (Lee 2007: 241; Pun and Lu 2010: 508–9, 514). It is therefore misleading to make generalizations about the role of land access of workers in capital-labor relations in rural China by looking at the relations centering mainly on land transfer bargains.

On the other hand, a possible counterargument to my analysis is that although this argument holds true for the migrant workers in urban areas, it is not true for semi-proletarian farm workers in rural areas. However, it is usually the case that elderly people from villages are unemployable in the cities and are therefore ready to accept farm jobs with poor working conditions and low wages (Van der Ploeg and Ye 2016: 122). Chinese agrarian capital is generally "able to select from a variety of cheap labor" (Trappel 2016: 151). In fact, farm workers' wages are even lower than the (low) wages of migrant workers in urban private industry, as evidenced by the young villagers' continuing labor migration. In short, Chinese farm workers currently do not have much bargaining power, and the contention that land privatization would further decrease it is not convincing.

As Section 4 shows, villagers cling to their small plots even in countries where selling land is allowed, and this increases transaction costs for the agrarian capital aiming to consolidate large tracts of farmland. There is no reason to expect a different outcome if land sale is allowed in China. On the other hand, as the discussion above shows, even if a substantial portion of villagers sell their land and are fully proletarianized on the capitalist farms, the long-term outcome would

be rising class struggle against capital and higher wages. Hence, compared to complete dispossession, partial dispossession is a favorable option for agrarian capital in China. In the 1990s, Russian agribusiness capital perceived a certain trade-off between fully proletarianizing the peasants by paying them significantly higher wages, and the actual situation where they pay low wages to the semi-proletarianized farm workers who derive a part of their income from farming their small plots. In this trade-off, agribusiness capital opted for the continuation of the semi-proletarian conditions (Kitching 1998: 67–8). There is evidence that, similar to migrant workers, access to land creates a downward pressure on farm worker wages in contemporary China. For example, in the Gengdian village of Liaocheng city in Shandong province, “the great majority of the hired labor consists of middle-aged women working as casual laborers, who take on these relatively low-paying jobs to supplement the income from their own farms. This is of course because the able-bodied males usually work off-farm for higher wages” (Huang, Yuan, and Peng 2012: 157).<sup>5</sup>

More interestingly, even the swapping of household land for jobs in capitalist farms does not change this relationship much. For instance, in Huangjue village in Sichuan province, elderly villagers transferred the bulk of their farmland to the Liang Enterprise through mediation by the village administration and were employed by the same company as seasonal farm workers. The company farm started to operate in 2010 and the rental income derived from the transferred land and the products of the remaining household plots has supplemented the very low wages given by the company (Van der Ploeg and Ye 2016: 122–3). In summary, semi-proletarianization based on China’s semi-private land system appears to serve well the interests of agrarian capital.

#### **4. Land Privatization and the Scale of Agricultural Production**

Many scholars argue that converting land into private property would quickly lead to land concentration because it would compel the lower-class peasants to sell their land in times of economic distress and help the capitalists (from agribusiness, real-estate, and other sectors) to obtain land easier than before. For example, Zhang and Donaldson (2013: 256–7) claim that “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.” It is also argued that agribusiness companies in China have “difficulty in wresting control of collective land from rural households” today, and land privatization would help them to increase their scale of production by making it easier to obtain land (Zhang and Donaldson 2013: 272). Furthermore, several scholars argue that land privatization would start an enclosure movement in China, which would dispossess small peasants and concentrate land in the hands of large companies. That enclosure movement would further increase the pace of urbanization and aggravate the problem of urban poverty (Liu 2013; Wen 2009).

Historical evidence does not support the claim that private landownership leads to high levels of landlessness and polarization of landownership. In fact, small-scale and fragmented landownership have persisted in populous countries of the Global South for two main reasons. First, population pressure and lack of sufficient non-farm employment force the subdivision of family farms between married children. Second, under conditions of persistent job insecurity and underdeveloped social security systems, both full-time farmers and semi-proletarian workers view their small plots as social insurance from which they can benefit in times of unemployment and

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<sup>5</sup>Downward pressure on wages exerted by farm workers’ access to land does not rule out wage increases. Similar to the industrial and service sectors, farm wages have been increasing rapidly in China in recent years. The decrease in the number of workers at younger ages is identified as the primary factor exerting an upward pressure on farm wages (Batson 2010; Cai 2011; Rozelle and Huang 2012: ii).



old age. Villagers are therefore reluctant to sell their land regardless of whether or not (and how much) they earn income from farming. As a result, in order to establish large farms, agrarian capitalists have to purchase and/or rent land from a large number of villagers who lack the incentive to part with their land. Even if they do not reject purchase proposals outright, villagers usually demand high prices or simply choose to cling onto their land due to the expectation of much higher prices in the future. This increases the transaction costs for agrarian capital significantly and creates a formidable obstacles to the development of large-scale capitalist agriculture (Heston and Kumar 1983 215–18; Khan 2004: 87–96; Sarkar 2007: 1439–40; Sarap 1998: 124–5).

Moreover, private landownership has never been a sufficient condition to achieve economies of scale in agricultural production. Hence, many capitalist states (such as Germany, the Netherlands, Japan, South Korea, and Taiwan) implemented land consolidation projects to support the development of large-scale agriculture (Van Dijk 2005: 15–20; Looney 2012: 35). More importantly, the transition to private land tenure created a severe land fragmentation problem and raised serious obstacles to attempts at developing large-scale capitalist farming in many Eastern European and former Soviet republics (Patterson 2009: 13; Watts 1998: 174). Currently, fifteen of these twenty-five countries suffer from “high levels of fragmentation of both land ownership and of land use” (Hartvigsen 2014: 23). Most of them have implemented land consolidation policies to address this problem since the 1990s (Hartvigsen 2013: 2014). Vietnamese agriculture has dealt with similar problems in the same period (Markussen et al. 2016: 1). In short, land privatization has not increased the scale of agricultural production and in many cases has actually decreased it, at least in the short term. In fact, the Russian Federation, an exceptional case in the sense of avoiding land fragmentation after decollectivization, did so mainly through putting severe limits to private landownership. The land reform of 1993 was “intended to allow state and collective farms to exist and function, and the land reform was designed in such a way that *only a small percentage of the land from the collective sector was distributed*” (Hartvigsen 2013: 41–2, emphasis added). In this process:

Some citizens... received a land share from a collectively owned land. Yet, they have only been entitled to sell their land share (first to other members of the collective, and, since 1993, to any buyer). Having purchased a land share, the new shareowner can request its conversion to a land plot, but the Law does not define how to do this. Since 2003, the shareowner has to convince one third of the members of the community to remove his land share from the collective (shared) ownership; however, since 1995, the “collective (shared) ownership” members have the right to *collectively rent their parcels* (i.e., the plot of land associated with the land shares) to any farm... Whereas the best way to take ownership of collectively owned land is to buy all the land shares, this provision of the law on transactions in agricultural land is clearly *intended to keep large farms from being fractured or owned by only one legal body*. (Grouiez 2013, emphasis added)

In other words, the Russian government established a unique semi-private landownership system at the onset of decollectivization. As a result, “collectives” and the state own about 50 percent and 40 percent of Russia’s agricultural land, respectively. As the state and “collectives” lease farmland to large-scale farmers and agribusiness companies (Grouiez 2013), agrarian capital has become the primary beneficiary of the current semi-private land system in Russia. Belarus, Slovakia, and the former German Democratic Republic (part of the united Germany since 1990) have also established large-scale capitalist agriculture following decollectivization through various forms of semi-private landownership (Hartvigsen 2013). As this paper shows, in the Chinese case, the central government allowed land fragmentation at the onset of the decollectivization reform but has radically reversed this policy since the late 1990s. Similar to the above-mentioned cases, government control over land has enabled the rapid and smooth progress of land consolidation into the hands of agrarian capital in China.

## 5. The Advantages of Semi-private Landownership for Capitalist Agriculture

The obstacles to land consolidation summarized above are present in China. Regardless of the type and location of their employment, Chinese villagers are generally reluctant to sell their land. Oi (1999: 622) summarized the situation in the 1990s: “while rural households have a decreased interest in working their land, most seem unwilling to give it up. Some pay outsiders to farm their land, simply to maintain their rights to that land, which remains their security.” Although the Chinese government has taken important steps to expand the coverage of social security toward the countryside since the mid-2000s, rural residents’ guaranteed access to farmland still fulfills important social security functions. China’s experience in 2008–9 confirms this. About 25 million migrant workers were laid off in October 2008 and were still jobless in October 2009. By April 2009, 56 percent of the laid-off workers were farming their household plots and 11 percent were doing non-wage household work depending on the farming members of their family (Rozelle and Huang 2012: 35). Hence, it is extremely unlikely that there will be any radical change in the current reluctance of Chinese villagers to part with farmland as a type of social insurance. A report published by the Ningxia Autonomous Region People’s Congress Standing Committee Research Group in 2016 (cited in Luo and Andreas 2018: 21) succinctly explains the reluctance to part with land:

Due to the low level of social security such as rural medical care and pensions, farmers generally regard land as a reliable foundation for livelihood security. Except for a small number of peasants who have a stable income and have left the land, a large part of the peasants who have gone out to work or have “left the countryside, but not the land,” have asked relatives to till and plant for them, and it is not easy to get them to agree to transfer land. This is especially true for peasants who are older and those who don’t have a specialized trade or skill. They prefer to cultivate themselves.

In addition, small commercial farming households desiring to expand their scale of production are unwilling to transfer their land to agribusinesses (Luo and Andreas 2018: 2). Hence, there are significant transaction costs involved in agrarian capital gaining access to large and consolidated tracts of farmland in China (Chen 2015: 780; Long et al. 2016: 399–400) and there is no evidence suggesting that land privatization can change this fundamentally.

This brings us to the second advantage given to capital by the current semi-private land system in terms of the scale of production. In order to understand the peculiarities of China’s semi-private landownership system, it is not enough to acknowledge that land still belongs to the village collectives instead of individuals. A more critical feature of this system is that local government bodies above the village level in terms of hierarchy usually have greater power than the village collectives in every aspect of land deals. Local governments act as the main agents in land deals including the acquisition of rural land for the construction of urban residential areas, industrial zones, and establishing large agribusiness enterprises. The absence of complete property rights over land enables local governments to requisition land without having to deal with each and every property owner in order to convince them to give up their land for development projects. Until recent years, by negotiating with the rural residents from a position of strength, local governments have been able to reduce compensation packages given to residents at a significantly lower level than would be possible in a completely privatized landownership system, which would otherwise enable land owners to bargain with capital from a position of relative strength and hence obtain much higher compensation packages (He 2012: 40–52, 88–99).

It is therefore clear that the monopoly of local governments in land deals has contributed positively to capital accumulation in the hands of real estate capital. The same is true for capital accumulation in the agricultural sector. As we know, the decollectivization of Chinese agriculture

created a significant problem of land fragmentation. Since then the size of farmland per rural household has been set at about half a hectare since the 1980s and this (already) small area has been divided into six to eight plots (Tan, Heerink, and Qu 2006: 274–5; Zhu and Jiang 1993: 447). The Chinese government's goal of developing modern large-scale agriculture (Chinese Communist Party Central Committee and State Council 2016) requires a rapid solution to this problem. Since complete land privatization led to land fragmentation in the former non-capitalist countries from Eastern Europe to East Asia, following a similar path would not help the Chinese government to achieve this goal.

More importantly, if rural land is privatized in China, agribusiness companies would have to sign purchase or rental contracts with each and every landowning villager in order to set up large farms. In line with the consensus that government control over land quickens the urbanization process, it is apparent that land privatization would significantly slow down the process of capitalist agrarian transformation. On the other hand, enabling village collectives to retain ownership rights over land has allowed the local authorities at and above the village level to transfer large tracts of farmland to agribusiness capital via lease agreements of various types. Today we can hardly find any examples of large-scale agricultural enterprises in China whose establishment does not involve the supportive organizing role of local governments from the village up to the county level. In fact, these government bodies often play an active role by convincing villagers to return their land contracts to the village collectives and then transfer these lands to the companies as large tracts. In this way, agribusinesses companies do not need to negotiate with each and every individual, which is the norm in countries that have private ownership. As a careful observer notes:

Agribusiness prefers to deal with village cadres for the renting of land as the plots possessed by individual farmers are so scattered that agribusiness cannot afford the high transaction costs... Agribusiness prefers dealing with village cadres to avoid facing peasants directly, and peasants place their trust in prestigious cadres to avoid dealing with agribusiness. More importantly, village cadres can be binding agents linking scattered peasants together. This coordinating effect is embodied distinctly in the formation of professional cooperatives initiated and coordinated by capable village cadres. When farmers hesitate to pool land to establish professional cooperatives, village cadres can convince them and lead the pooling of land contracting and other assets. (Chen 2015: 780, 785)<sup>6</sup>

There are various forms of government intervention to scale up agricultural production in China. In the first form, the local administration engages only with the capital without engaging with ordinary villagers. This is because the administration transfers farmland to agrarian capital that is not occupied or used by farmers. As we know, the transition from small-scale family farming to large-scale capital farming in Western Europe usually started in relatively marginal areas that were not controlled by small peasants (Braudel 1982: 253). We are witnessing a similar process in contemporary China. Despite the remaining significant population pressure over farmland, many regions still have relatively large marginal areas that can be opened to farming (albeit with high costs required to prepare the soil and bring irrigation and other types of infrastructure) but have not been allocated to households previously. Village administrations facilitate the reclamation and transfer of such areas to entrepreneurial farmers and agribusinesses. Since these transfers do not involve village households, they are smoother and easier than other forms of transfer. For instance, in Sipai Township of Raohe County in Heilongjiang province, a village leader obtained over 300 mu of land mostly through wasteland reclamation (Van der Ploeg et al. 2016:

<sup>6</sup>In other words, “the village collective can coordinate land transfers, thus decreasing transaction costs, the current system allows efficiency-inducing transfers to occur” (Zhang and Donaldson 2013: 262).

86–7). Many of the company farms requiring large consolidated tracts have also been established in similar areas in recent years (Zhang 2013: 26–7).

When agrarian capital needs villagers' land for large-scale production, local governments then use their power to meet this need. Land transfers often take the form of campaigns during which local governments benefit from the institutional legacies of the collective period. A case study in rural Ningxia vividly exemplifies this phenomenon:

In 2014, Ma Huizhu, a well-to-do farmer from a nearby village, approached Xitan Village leaders about obtaining land to create a large production base for planting corn... Today, the operation cultivates 1,782 mu of farmland and employs ten fulltime workers. To put together Ma's production base, village leaders had to convince 950 households to transfer their land. In September 2015, village leaders convened a village assembly to launch the land transfer campaign, announcing the goals of the project and extolling the benefits of transferring land. The committee then distributed transfer mobilization work to the heads of the village production teams... [T]hey were responsible for persuading households in their teams to transfer their land. (Luo and Andreas 2018: 16)

State interventions to land transactions take both consensual and coercive forms. In the first form, the local government is able to convince the peasants to give up their land without using naked force. Local governments then bundle these lands together and lease them as a block to an agribusiness enterprise. Peasants give consent to these land deals in return for the rental income they receive or jobs they acquire on the company farm. This can be called *active consent*. Alternatively, peasants give consent to these deals, because they fear that the government will use repressive methods against them if they refuse to give up their land. I define this as *passive consent*. For example, in order to force the small livestock landholders to rent out their land to livestock-producing companies, some local governments have threatened to ban the production of livestock in backyard barns under the pretext of environmental protection (Zhao 2010: 186–7). Case studies in Hunan, Jiangxi, and Ningxia provinces and coastal regions demonstrate that local cadres often use a variety of pressure tactics to deal with the reluctant villagers. These methods include cutting their access to irrigation canals (Luo and Andreas 2018: 24–6), mobilizing family members and friends to put pressure on them, and threatening to put in jeopardy the career prospects of their children and relatives holding government jobs (Luo and Andreas 2018: 23–4; Ma 2013: 76–7). As we show below, these methods are generally effective in compelling the reluctant villagers and do *not* lead to prolonged class struggle.

Several forms of (active and passive) consent-based, large-scale land transfers have emerged in recent years. Individual contracts between one or several lessors and a tenant have been the first and until recently the only form of contractual land transfers. For instance, the Anju district of the Suining prefecture-level city of Sichuan province documents several large-scale land transfers through individual contracts signed with the assistance and supervision of township and village officials. In Anju town, over 10,000 mu of farmland were transferred in 2009 alone. In Majia township, 1100 mu of land was transferred in the same year. The duration of the contracts is long; many of them are for twenty years. Most of these contracts prohibit the lessors from taking their land back during the contract term whereas the tenants (capitalist farmers or agribusinesses) have the right to cancel the contracts if they do not reach the expected profit levels without paying a significant early cancellation fee (Trappel 2016: 121–6). Similarly, most lease contracts are for about ten years in rural Ningxia (Luo and Andreas 2018: 16). In short, unlike the 1980s and 1990s, during which short-term, flexible, and usually unwritten agreement among village households was the norm, longer-term, inflexible, and mostly written contracts between households, village administrations, and agrarian capital dominate today's land deals (Luo and Andreas 2018: 16).

As the central government has further emphasized the goal of increasing the scale of agricultural production in recent years, new initiatives aimed at quickening the transfer of land have been put into practice. The land share cooperative is one of these recent initiatives. These cooperatives bundle the land use contracts of their members, transfer them to capitalists as consolidated tracts, establish fiscal reserves and welfare funds, and share the remaining profits among their members. If there is a third-party agent willing to rent the land, these cooperatives (like other farmer cooperatives) are entitled to organize farm production. Hence, the main difference between specialized farmer cooperatives and land share cooperatives is that the latter has the additional right and responsibility to contract its members' land out to third parties. Local governments provide significant financial support to these cooperatives. Although these cooperatives are not legally state-owned entities, government (especially township government) officials are heavily involved in their foundation and daily management. Land transfer centers constitute another institutional form of farmland transfer to agrarian capital. Unlike the land share cooperatives, land transfer centers are formal government branches organized at the township level (like those in Shandong) or above (like those in Guizhou and Sichuan). Apart from the land use right of the member households, many of these cooperatives and service centers assume *de facto* control over the use/transfer of marginal lands not allocated to households. Local officials are mobilized to obtain as much land as possible from households and unclaimed areas, advertise the available land to capitalist farmers and agribusinesses effectively, and prepare the transfer contracts signed by all parties. The performance of these land share cooperatives and land transfer centers is taken into account in the periodic evaluation of local officials by their seniors, which impact their career trajectories (Trappel 2011: 21–4, 2016: 119–54).

Overall, deals based on the active or passive consent of the villagers comprise the majority of land transfers to agrarian capital in China for two main reasons. First, the weakness and instability of smallholder farming (and the resulting widespread proletarianization mostly through labor migration) discussed above convinces the villagers to give up farming in exchange for an annual rent paid for their transferred land. Second, the historically strong government control over land discourages outright resistance against land deals. Based on his fieldwork in Guizhou, Shandong, and Sichuan provinces, Trappel (2016: 150, emphasis added) notes:

[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*.

Based on his fieldwork on the Dragon County (an alias for a county in coastal China), Jianbo Ma (2013: 115, emphasis added) reaches a similar conclusion: “Farmers choose to comply... First, farming is unattractive anyway. Second, the government is too powerful. *Farmers know very well that the land they farm belongs to the state, that ‘collective’ ownership is a nominal thing.*” Luo and Andreas’ fieldwork in Ningxia province (2018: 28) highlights the same factors:

First... economic forces alone can leave villagers with little choice, compelling them to surrender property against their will... Second... ultimately, through unrelenting high-pressure campaigns that stress the state’s determination to scale-up agriculture, local cadres have been able to instill a sense of inevitability that has made resistance seem fruitless and diverted opposition into bargaining over compensation.

Based on its monopoly of landownership, the Chinese state has provided cheap land to industry and urban housing since 1949. In the post-1978 era, the same mechanism supported the private industry and real estate sectors (Rithmire 2017: 142). A similar mechanism has supported agrarian capital in recent decades. The power of local administrations is usually sufficient to keep the agreed compensation at a level sufficiently low to encourage further transfers. As Trappel (2016: 128) notes, the rental fees given to villagers are generally “ten to twenty times less than the profit (not revenue) agricultural investors will earn.” In fact, the current level of government subsidies is high enough to cover agrarian capital’s entire cost of land lease (Gong and Zhang 2017; Luo and Andreas 2018).

Although both Chinese law and repeated statements of the central government prohibit government officials from taking farmland and forestland without the approval of two-thirds of the villagers (Li and Wang 2014: 6–8), coercive land grabbing has been exercised in several land transfers. Local governments use openly coercive methods much less frequently than the (active and passive) consensual methods for the above-mentioned reasons, but coercive land transfers are still worthy of attention, because they reflect the Chinese state’s determination to carry out large-scale land transfers to agrarian capital. The local government’s land grab in the Jiangxiang township of Nanchang county of Jiangxi province in 2000 is an example of this practice. In this case, the local government leased 50,000 mu of land to a company based in Guangdong province, which claims to carry out ecological farming in the area. Peasants of the region started protesting the land deal because they found the compensation packages to be very insufficient. The local government mobilized the security forces to suppress the protests (Qin 2003, 2008).

Tree plantations established by foreign agribusinesses provide more striking examples of land grabbing for capitalist agriculture in China. Stora Enso, a Finnish company that is one of the world’s largest pulp, paper, paperboard, and wood producers, established a large pulp tree plantation on about 120,000 hectares of land spanning five counties of Guangxi (Li and Nielsen 2010). Asia Pulp and Paper Co. Ltd (APP) is an Indonesian company and one of the world’s top producers of pulp and paper. APP established its first plantation in Qinzhou county of Guangxi in the second half of the 1990s and then expanded to Lancang county in Yunnan province in the early 2000s (Li 2014: 1; Xu 2015: 14). Stora Enso and APP plantations are among the largest agribusiness investments in contemporary China. The cases of APP and Stora Enso illustrate the unique ways in which large blocks of land are transferred to private companies due to local government control over land. In Beihai municipality of Guangxi:

At first, all township leaders were summoned to a county government conference and assigned the task of delivering a specific quantity of land to Stora Enso. Each of these townships spread the township obligation to each administrative village with forestland and ordered them to surrender the land by a particular date. The administrative village leaders further split the village quota among all villager groups. The quota quantity for each level of this administrative apparatus was non-negotiable. All officials were threatened with demotion if they failed to complete the quota. (Li and Nielsen 2010: 22–3)

The Beihai Forestry Investment Company (BHC), a company established by the municipal government, accumulated these lands and transferred them to Stora Enso. In fact, villagers complained that over 80 percent of the forestland transferred to the company was procured via local government and other intermediaries rather than direct contracting between the company and the villagers (Li and Wang 2014: 15). The company openly acknowledges the impossibility of obtaining this much land without the support of the local government:

Stora Enso also realizes some benefits from the use of a middleman. First, *the approach may substantially reduce the transaction cost. Rather than dealing with each of the hundreds or even*

*thousands of collective lessors in negotiating terms of transfers, Stora Enso can negotiate with BHC. Given the local government's zealous efforts to attract foreign investments, Stora Enso has a favorable bargaining position in negotiating with BHC. However, such a bargaining chip might not be there if the company directly dealt with farmers and collectives because they will not likely share BHC's interest in attracting foreign investment; what farmers are concerned most is whether the deal is fair and the payment is adequate. Second, as a government institution, BHC can reach all villages in Hepu through its government network. Using that network, BHC is likely to find more land than Stora Enso's own land agents or employees acting without government assistance. (Li and Nielsen 2010: 21–2, emphasis added)*

A similar process took place during the formation of APP plantations. In Qinzhou county, the local government first announced that the duration of the lease agreement with the company is ten years and shortly after stated that the deal was made for thirty years. In Lancang county, the local government imposed a fifty-year deal on villagers with a uniform, non-negotiable rent of 0.8 Yuan per mu of land. Villagers in both regions say the rents they receive are extremely low and they would not accept such deals without the pressure of the government. Strong government control over land saved APP from otherwise significant transaction costs:

When asked whether they would like to lease their land to APP, Qinzhou farmers gave mixed responses... In three of seven villages we visited, farmers wanted to take the land back and contract it to individual households for forest farming. In the other four villages, farmers said they would not lease villages' forest land to APP unless the company substantially raised the rent... In one case where aggrieved farmer complained to an APP technician about the issue of low rent, the technician replied that "the rent is decided by the government, it is impossible to change it now." In another case where the interviewed farmer actually took the low rent issue to the APP Lancang office, the answer from APP was that "the contract has already been signed, and it is impossible to amend the conditions in the contract." (Li 2014: 17–18)

Both the APP and Stora Enso cases received much attention and criticism in China and abroad, and the local governments have allowed independent researchers to conduct interviews with the villagers. The magnitude of transaction costs excluded by these companies should be understood within this context. The bargaining power of the villagers is not higher (and probably much lower) in other regions where the scale of transfers is lower, investors are Chinese, and (therefore) public attention is weaker. Since openly coercive land grabbing has not become a frequently used form of state-led land transfer to agrarian capital due to the effectiveness of other, more consensual forms, a significant popular backlash against it has not emerged so far. If such a backlash occurs in the future, it will increase the transaction costs for agrarian capital.

Overall, as a result of the frequently used consensual methods and less frequently used coercive methods of the government based on its historically strong control over farmland transactions, the magnitude of land transfers from smallholders to agrarian capital has increased significantly in recent years. At the national level, the share of transferred land within total land contracted to rural households rose from only 5.2 percent in 2007 to 14.7 percent in 2010, 25.7 percent in 2013, and 35.1 percent in 2016 (Tuliu.com 2018; also see Huang, Guan, and Jin 2017). As a result, by 2012, large farm-operating households (cultivating about 200 mu of farmland on average) comprised only 0.59 percent of all rural households but farmed 20.7 percent of all household arable land (China Development Research Foundation 2017: 120). In short, contrary to the claim that "since farm size in Chinese agriculture is extremely small and individual land ownership rights are absent, farm size expansion may not take place sufficiently fast" (Otsuka, Liu, and Yamauchi 2016: 458), agrarian capital in China has rapidly accessed a significant amount of farmland through state-led land transfers and with comparatively minimal transaction and financial costs.

## 6. Conclusion

Although the existing scholarship on the capitalist transformation of Chinese agriculture uses the concepts of Marxist political economy to analyze class differentiation and conflict, there has not been any systematic attempt at analyzing the role of the Chinese state in this transformation with reference to Marx's theory of agricultural rent. Such an attempt is particularly necessary given that Marx viewed private landownership as a barrier to capitalist development in agriculture and state ownership of land as a possible way to overcome it. Capitalist transformation of Chinese agriculture without private landownership and under strong government control over farmland provides a unique opportunity to assess the validity of Marx's hypothesis.

This paper provides a preliminary analysis of this question by making three main arguments. First, contrary to interpretations that China's current land system either seriously discourages capital investment or balances the power of capital by increasing the bargaining power of farm workers, this paper argues that farm workers' access to land not only supports them in certain situations, but also generally favors agribusiness capital by externalizing the costs of the reproduction of labor power to family farming, and hence reduces labor costs. Second, this paper argues that neither private landownership nor the policies of land privatization necessarily lead to land concentration or larger-scale production. On the contrary, the experiences of countries in Eastern Europe and the former USSR in the 1990s demonstrate that land privatization does not necessarily lead to large-scale production and/or peasant dispossession. Third, by enabling local governments (at the village level and above) to transfer large tracts of land to agribusiness companies and capitalist farmers and hence relieving them from the burden of dealing with each and every household to access land, the semi-private landownership system reduces transaction costs and assists capitalist accumulation in Chinese agriculture.

Based on these findings, this paper suggests that one possible reason (among several) behind the Chinese government's reluctance to fully privatize land is its awareness that the current semi-private land system is supporting China's emerging capitalist agriculture better than a completely private land system would. By highlighting this possibility, this paper invites further research on the advantages of semi-private landownership for capitalist agrarian development in China and elsewhere, instead of portraying it as a pro-poor and less exploitative system that should be advocated on behalf of lower-class interests.

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