

8 Status and hierarchy

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A society is differentiated and stratified in many ways; hierarchies can be formed and found along multiple dimensions: political power, social honour, economic wealth, cultural knowledge, and even skin colour. All hierarchies, however, do not have the same import. In any society, therefore, one can potentially identify a 'hierarchy of hierarchies' – different dimensions of social inequality and hierarchy form a hierarchy in terms of its importance in shaping people's lives and social relationships.

One useful way to understand this 'hierarchy of hierarchies' in a given society is to see it as determined by how economic activities are organized in that society. By 'economic activities' we mean, following Polanyi (1957: 248), 'interaction between man and his environment, which results in a continuous supply of want-satisfying material means', which, after all, are the main activities that have preoccupied most people's lives throughout human history. The most important social hierarchy is formed on the basis of the dominant *mode of production* (MOP) in an economy – the system of extracting, transferring and distributing economic surplus among different social groups. Although this hierarchy is formed in the processes of economic production and consumption, as we shall see, the basis of this hierarchy – the resource used to create and maintain this hierarchy – can be political power, social status or even religious quality.

Hill Gates (1996) contends that for the past 1,000 years, socioeconomic hierarchy in Chinese society was primarily structured by two different modes of production: the state-managed tributary mode of production (TMP) and the lineage-based petty commodity mode of production (PCMP). As Gates summarizes:

For a thousand years in the late-imperial tributary mode, a class of scholar-officials has transferred surpluses from the various producer classes (peasants, petty capitalists, laborers) to themselves by means of direct extraction as tribute, taxes, *corvée*, hereditary labor duties, and the like. In the private markets that flourished in China from the Song forward, free producers transferred any remaining surpluses *among* the commoner classes by means of wage labor and a hierarchical kinship/gender system.

(p. 7)

These two systems of organizing production and distributing surplus placed Chinese people within their reach into a two-tiered class structure. Under the TMP, extraction of surplus from producers by holders of political power created the most important status divide in the traditional society: officials vs. commoners. In the PCMP in imperial China, the main unit of petty-commodity production was *patricorporations* – household and lineage enterprises that owned or controlled properties and used mainly family labour to produce commodities to be sold on markets for profit (Gates 1996). Within these patricorporations, surpluses were transferred among members on the basis of the hierarchical kinship/gender relations. By resting ownership of properties, command over production process, and control of consumption patterns in the male, elder, and agnatic members of the patricorporation, the PCMP translated the relational hierarchy that existed among family members, which was culturally defined and politically enforced, into a socioeconomic hierarchy.

Despite a tumultuous century of confrontation with the outside world and internal societal transformation, the existence of some form of state-managed tributary mode of production and market-based petty commodity mode of production persisted to be the two dominant modes of production that shaped socioeconomic hierarchies in Chinese society. The real fundamental change came only after the founding of the People's Republic of China in 1949.

Hierarchies in socialist China

During the socialist era (1949 to 1978), the reach and strength of the TMP reached its apex, whereas the PCMP was suppressed to the point of near elimination. The new socialist state's two main policy goals – creating an egalitarian society on the basis of public ownership of means of production and industrializing an agrarian society with a war-torn economy – both required a transformation of the modes of production and their underlying property relations. The state embarked on an ambitious project of re-engineering the property relations and class structure of the society. Such transformation would then allow the state to penetrate into the lowest level of society and eliminate countervailing forces and local elites, both of which enabled the state to extend the reach and strength of its tributary extraction. To accumulate the capital needed for its plan of state-led industrialization, the state ratcheted up its tributary system to transfer surplus from rural producers to both building urban industries and creating new urban administrative and working classes. To further eliminate competition with the state and concentrate resources into the state's control, the state also suppressed the market-based PCMP to the point of near elimination.

By the mid-1950s, the new regime had already completed much of the socialist transformation of the national economy. A new socialist economy was in place, providing the basis for a new set of social hierarchies to emerge. Although the state had proclaimed creating an egalitarian society as its goal

and indeed successfully transformed pre-existing social hierarchies, true equality turned out to be an elusive goal. New social hierarchies soon took shape on the basis of the transformed modes of production.

Socialist transformations of Chinese society

The transformation started in rural areas with the land reform in the early 1950s, when land and properties were seized from the landlord and rich peasant classes and redistributed to all rural households. But in less than a decade, the state started to push for collectivization in agriculture, transferring land ownership from individual households to collective brigades and communes and organizing production collectively. The PCMP was greatly reduced, as its material foundation – private land – was pulled from underneath it. Peasants were left with small plots of land to grow vegetables for self-consumption.

Although rural residents' private land ownership was short-lived, the rural social structure was nevertheless indelibly changed by the land reform and collectivization. The landed gentry, the political and economic elite in pre-socialist China, were eliminated as a class – in some extreme cases, even physically; the rural socioeconomic hierarchy was effectively flattened – the Chinese countryside became a sea of small peasant households under socialism.

Political status became a more significant dimension of hierarchy that set rural residents apart – in a way that reversed the previous hierarchy in rural society. The new regime entrusted local power – and the operation of surplus extraction – to political activists who rose from the lower and middle strata of the rural society: poor and middle-ranking peasants. As a class, these peasants gained not only economically through the redistribution of landlords' properties, but also politically the extractive power granted by the new state. The former landed gentry and other classes classified as counter-revolutionary, on the other hand, not only descended economically to the same level – if not worse – as other rural residents, but also regularly became subjects of political attack and public humiliation.

A similar social transformation swept Chinese cities. Private properties of urban capitalists were nationalized with modest compensations by the state and private enterprises turned first into public-private joint ventures and then publicly owned enterprises. As in rural areas, the PCMP declined, first, because private properties were seized; second, for those hold-outs, as more resources began to be included in the central-planned redistribution, markets for industrial inputs and consumer products both constricted, further squeezing the space for the PCMP. The state's direct control over the increasing number of public enterprises strengthened the TMP, allowing the state to extract surplus from these state-owned enterprises (SOEs) and collective-owned enterprises (COEs).

The establishment of state-owned enterprises gave rise to a new system of regulating urban consumption and workers' lives – the work units. These

urban work units provided their employees with a cradle-to-grave system of social services that included housing, childcare, healthcare, education, pension, old-age care, and even on-site canteens and public bathing houses. The work units were also a part of the state's plan of managing urban collective consumption. Replacing markets for housing and other consumption needs with state-planned allocation helped the state to suppress labour wages and private consumption, so that more surpluses could be re-invested into industrialization.

With the establishment of a public enterprise system and state-planned allocation of resources, a new hierarchy emerged in the urban employment structure (Bian 1994). SOE workers became a new labour aristocracy, who enjoyed full benefits of the cradle-to-grave welfare system. COEs, in comparison, were usually smaller and had lower administrative ranks; their ability to provide for their employees was limited. The remaining petty-commodity producers, who struggled at the margin of the state-run economy and had no work units to provide for them, constituted the bottom rung of this urban employment hierarchy.

The urban–rural divide and official–commoner divide

The strengthened TMP erected new hierarchies in its own way. Hierarchies among different social groups based on their standings in the tributary mode of production intensified along two dimensions: urban vs. rural and officials vs. commoners.

Fundamentally, the rural–urban divide was created by the state's extraction of rural surplus, which was then invested in urban industries and social services. It had to be maintained by a politically defined status hierarchy that the state erected to segregate rural and urban residents. The existence of wide gaps between rural and urban living standards would have created a spontaneous city-bound migration by rural residents, which would then threaten to both reduce surplus created in the agricultural sector and divert industrial investment into more urban consumption. To prevent this and to keep rural producers within the reach of TMP, the state implemented strict residential control through the Household Registration System (HRS), which separated rural and urban residents into two distinct categories of citizens.

Rural residents, without urban registration, were not only denied urban employment opportunities, but also excluded from the rationed distribution of many basic consumption items, making it highly difficult for any unauthorized migrants to survive in cities. Except for a few channels of mobility, all managed by the state, which allowed for some rural residents to move to and settle in cities, a highly rigid status hierarchy, based on residential registration, separated urban and rural residents.¹ This urban–rural divide became a long-lasting legacy of the socialist era, shaping the trajectories of many later developments.

The subsuming of a great amount of economic activities under the TMP also strengthened another divide that had long existed in the Chinese society:

that between officialdom, who now were even more empowered with strong central-planning institutions, and commoners, who were further deprived of the opportunity to accumulate some economic wealth in a subordinate PCMP. The socialist officialdom, although now called by a different name, selected through different procedures, and proclaiming a different ideology, nevertheless shared one fundamental feature with the imperial ruling class of scholar-officials: they exercised state power in extracting tributes from commoners and received compensation from the extracted surplus.

Because the socialist state put almost all areas of society under its administration, this official–commoner divide and the administrative hierarchy within officialdom also penetrated and manifested themselves in all walks of life, far beyond just government bureaucracies or state-owned enterprises. The entire society became encompassed within the administrative hierarchy, with the great majority of the population merely commoners, at the bottom of the hierarchy and having no administrative rank, and a small officialdom on top, itself hierarchically organized in multiple ranks.

Entering the officialdom became a quantum leap in social mobility. And such entrance was strictly controlled by the state. Even the privileged urban SOE workers did not automatically have the ‘cadre status’. Before an ordinary worker could be promoted to an administrative post – gaining a position in the administrative hierarchy – he or she first needed to be granted a ‘cadre quota’ and thus changing the status from a commoner to a cadre, a member of the officialdom. Thus, despite the profound social changes implemented by the new socialist regime to create a more egalitarian society, the ‘new society’ remained highly hierarchical.

Hierarchies in post-socialist China

With the reform starting in late 1970s, another round of profound social changes began, although this time in a more peaceful and incremental fashion than the Communist Revolution. In the first half of the Reform – or Post-Socialist – Era (1978 to present), the central-planned, redistributive economy had remained in force and the dominance of the TMP intact. However, on the margins of the redistributive economy and the TMP, markets started to revive and expand. The PCMP, which had been suppressed and dormant for at least two decades, re-emerged; a new mode of production, the capitalist mode of production (CMP), also rose.

Changes in the modes of production

Self-employment activities were again allowed in both the cities and the countryside at the beginning of the Reform, but were limited to taking on no more than seven employees. In cities, the return of sent-down youths from the countryside and the entry into the labour force by birth cohorts born during the peak birth rates in the 1960s created rampant unemployment. The state

had to open up the private petty-commodity production to accommodate the growing demand for jobs.

Initially, self-employment mainly attracted disadvantaged groups – people who could not get jobs in the state sector. The growth of self-employment in cities increased sharply after 1992, when the speed of the reform was accelerated to promote the market economy and private entrepreneurial activities. The rise in self-employment occurred also because the state sector reform started to downsize SOEs and lay off redundant workers in the 1990s. As a result, an internal hierarchy appeared in the petty-commodity production sector. Those who entered to pursue entrepreneurial career opportunities brought with them greater capital and skills and usually had greater success and financial returns from self-employment. Others who were pushed into petty-commodity production by state-sector downsizing and were seeking a refuge from poverty had little more than their own labour to rely on and had many fewer chances of becoming prosperous.

In rural areas, however, the resurgence of the PCMP took a markedly different path. The rural reform disbanded rural communes and brigades as collective units of production, re-assigned land use rights to rural households, and, as a result, restored households as the unit of production and consumption in rural areas. The rural economy was again dominated by smallholding, household producers. Although many these small farming households remained subsistence producers, more and more were becoming commodity producers who produced both agricultural and non-agricultural goods for markets. Rural households were still within the reach of the TMP, subjected to the state’s extraction in the form of obligatory grain quotas. However, they were allowed to engage in market-oriented petty commodity production, whether diversifying into non-farm employment or selling agricultural surplus in markets. The new rural economy resembled the pre-socialist formation, where both the TMP and PCMP existed.

Before long, the trickle of rural petty-commodity production turned into a gusher, especially in non-farm production. The growth of rural non-farm employment took different forms in different regions: in the southern coastal region, more in the form of small family-based enterprises, similar to the traditional patricorporations; in northern coastal and inland regions, more in the form of collective township-and-village enterprises (TVEs). For the first 15 years of the post-socialist transition, the growth of TVEs and rural household enterprises became the main force that drove China’s rural industrialization and transfer of labour from farming to non-farming jobs. A new dimension in rural social stratification emerged: managers in TVEs, who were usually current or former village cadres, and the enterprising families became the new economic elite in rural society, accumulating wealth through market-based entrepreneurial activities that grew outside the reach of the TMP.

A novel development of the post-socialist era, especially from the 1990s onwards, is the emergence and rapid rise of a capitalist mode of production (CMP) in the economy. Unlike the PCMP, the CMP uses commoditized labour

in non-family-based organizations. The extraction of surplus is based on ownership and control over means of production. A crucial event in the rise of the CMP in the Chinese economy is the legalization of domestic private enterprises through a constitutional amendment in 1988, which gave protection to private properties and allowed the employment of eight or more employees. As a result, domestic private firms started to grow, and joined the foreign-invested firms, which first brought in the CMP, in expanding the CMP in the economy. The growth of CMP was further fuelled by the privatization of collective rural TVEs and urban SOEs in the 1990s. The number of domestic private firms increased sharply and some large-size firms started to emerge. In recent years, the domestic private sector has grown to one-third of the national economy, while foreign-invested private firms and state firms each takes another one-third. With this rapid rise of the CMP, the transfer of surplus from commoditized labourers to capital owners emerges as a new and increasingly powerful process in creating social inequality and forming hierarchies.

Not surprisingly, the resurgence of PCMP and rise of CMP pushed the once dominant TMP into a retreat, as the reform opened up new markets and shifted more economic activities outside the reach of the TMP. In the increasingly marketized urban economy, the state withdrew its direct tributary extraction from the increasing number of non-state firms. Even in state firms, more management autonomy and property rights were devolved from governments to the firms themselves. Since the late 1990s, the accelerated pace of privatization in state sectors, especially of smaller-scale SOEs, further reduced the scale of the state-run economy and restricted the reach of the state-managed TMP.

In recent years, however, after the initial period of retreat, the remaining large-scale SOEs, albeit small in number, have experienced a revival and helped to ensure that the TMP remains a powerful force in the new economic system and in shaping social hierarchies. These large-scale SOEs gained strength not only from an influx of capital after being listed on domestic and overseas stock exchanges, but more importantly, from greater capacity of surplus extraction based on market monopoly (Huang 2008). These SOEs were concentrated in the so-called 'strategic sectors' of the national economy where entry by private firms was severely restricted: banking and finance, telecommunications, oil and petrochemicals, energy and resources, public utility, defence, and transportation.² Protected by such politically granted market monopoly and emboldened by the political power they had within the state system, these SOEs were able to extract surplus from consumers in the form of monopoly rent, sometimes in excessive amounts and through illegal means.

The corporate reform implemented in these SOEs and their participation in capital, labour and other markets, however, transformed them from traditional socialist firms into a new breed of state firms. Both the CMP and TMP are at work in these state monopoly firms: the state monopoly capital

simultaneously extracts surplus from workers on the basis of control of means of production in the CMP and extracts surplus from consumers in the TMP through monopoly rent created and protected by the state's political power.

In rural areas, although the reform allowed households to diversify into farm and non-farm productions outside the reach of TMP and gradually did away with state-imposed mandatory quotas of production, the intensity of the TMP nevertheless expanded for a period of time. In the 1990s, fiscal reform and the privatization and decline of TVEs severely reduced local governments' revenue sources and local governments had nowhere to turn but to ratchet up their extraction of surplus from rural households. As a result, besides the agricultural tax levied by the central government, various levels of local government created a myriad of new types of taxes, levies, charges, and corvée labour to extract surplus from rural residents (Bernstein and Lu 2000). Excessive peasant burdens soon became a nationwide problem and led to the rapid deterioration of local governance in rural areas.

This trend was finally reversed when the Hu Jingtiao and Wen Jiabao administration came into office in 2003. In 2004, the agricultural tax was abolished nationwide and, with it, the central state's direct surplus extraction from individual agricultural producers. A practice that had existed for over 2000 years in Chinese history and statecraft finally came to an end. Furthermore, the central government started a direct subsidy to farmers on the basis of farmland size. The central government also implemented strict restrictions on the type and amount of taxes, levies, and corvée labour that local governments could impose on rural residents. Although implementation varied across regions, the combination of these measures helped to curtail the power of the state-managed TMP in rural areas.

Changes in social hierarchies

Under socialism, the dominant mode of production, the TMP, was a political creation: the extractive power was based on the political power of the state, in turning private properties into state properties, in controlling farmers' harvest, in disciplining labour, and in restricting rural residents' exit from state extraction. The hierarchies it created in society, although they had clear social and economic consequences, were primarily based on politically defined statuses – urban vs. rural and officials vs. commoners. The society, thus, was a politically stratified society, or, in sociological terms, a status-stratified society.

In the PCMP and CMP of post-socialist China, the extraction of surplus is based on economic ownership rather than political power. Even the TMP, which remains powerful, now also mixes with and draws on the CMP in its operation in the hybrid form of state monopoly capital. Correspondingly, the hierarchical structure of the society changes, from comprising of primarily politically based hierarchies to a mixture of political and economic hierarchies, with the latter becoming increasingly significant. The most notable change in this process is, therefore, the emergence of economically based hierarchies

– class stratification – in contemporary Chinese society, which can be seen from changes in the rural-urban divide and the emergence of new classes.

To what extent the rural-urban divide has weakened and whether rural-urban inequality has declined or increased are still hotly debated topics. Overshadowed by these debates, however, is an important change: the source of rural-urban inequality is shifting from political to economic. The household registration system that used to create the differential statuses between rural and urban residents is, indeed, still in effect. However, its impact on people's life chances and living conditions has been considerably weakened.

As the institutional barriers erected under socialism to help maintain the TMP and transfer of rural surplus into urban industries were gradually dismantled, urban lives were no longer dependent on the rationed allocation of consumer goods and social services, tied with employment in work units and urban registration. In the past three decades, hundreds of millions of rural residents have migrated to cities – to either work temporarily or settle permanently. These rural migrants are indeed still poorly treated in cities, stigmatized by urbanites, and have difficulties in getting good jobs or permanently settling down; but these difficulties they encounter in cities are increasingly the result of their disadvantaged economic positions in the CMP and PCMP, especially in labour and housing markets, and less the result of a politically defined rural status.

A similar change is happening to the inequality between urban and rural areas. In the past, the 'rural' status was defined not because of one's occupation in agriculture in the economic division of labour, but because of one's position in a political classification – the household registration system. This rural status then simultaneously subjected one to the extraction of surplus under the TMP and excluded one from receiving transfer of surplus in the form of all kinds of urban social services. But nowadays, the rural registration status no longer has such an effect: rural producers are not only freed from the extraction by the central government, but also receive direct transfer of surplus in the form of farming subsidy. They can also freely migrate to cities and have gained access to many urban services.

Rural areas are still generally poorer than cities, but not because they are politically subjected to the tributary extraction by cities, but rather mainly because of their specialization in the less profitable agricultural production in the economic division of labour, which occupies a peripheral and subordinate position to the manufacturing and financial industries in cities. When a rural area upgrades its economy from agriculture into manufacturing, as many rural villages in peri-urban locations have done, it quickly improves its economic prosperity to a level comparable to similar urban areas, without ever changing its politically defined 'rural' status.

Another situation puts this new source of rural-urban inequality in even sharper relief: when rural residents manage to occupy advantageous positions in the economic system vis-à-vis urban residents, the urban-rural hierarchy

can be reversed, without changing the political statuses. One can find such examples in the so-called 'villages-in-the-city', or *chengzhongcun* – rural villages encircled by the expanding city. Residents in these villages still have rural registration status – and thanks to that, property rights of land and houses located in these urban 'villages'. These property rights place them in an advantageous economic position as landlords; their rents allow them to live in material comfort and become the envy of many urbanites. On the other side of the equation, many well-educated urban residents – college graduates in Beijing, for example – find themselves in disadvantaged positions in both the labour and housing markets. Their situation has given rise to a new social phenomenon: the 'ants', or *yizu*: people who, like ants, struggle in low-paid, unstable jobs and live in cramped quarters – often rental houses located in peri-urban villages and villages-in-the-city and owned by 'rural' landlords. Clearly, for parties involved in this confrontation, the more important divide is not whether one has a rural or urban status in the political scheme, but whether one owns a property or not in the economic market.

The hierarchy that may still exist between rural and urban residents is now undergirded by different modes of production than before. While the TMP is still in effect, the central processes that create rural-urban disparities are both located in the rising CMP: first, the transfer of surplus from rural migrant labourers to urban owners of capital through the sales and use of commoditized labour; and second, the transfer of surplus from rural agriculture to urban manufacturing and financial industries, when capital and industry increasingly control and profit from both the inputs and outputs of agricultural production.

In both cities and rural areas, people's positions in the economic hierarchy are also gaining importance over positions in the hierarchies of social status and political classification. In cities, a new economic elite, comprised of private entrepreneurs and high-salaried professionals working for multinational and big state firms, not only has carved out an enviable position for themselves in the social hierarchy, but also made an indelible mark with their unprecedented wealth and extravagant lifestyles on the collective imagination of the new consumer society. In recent years, another group that has attracted lots of attention is the so-called 'rich second generation', or *fu erdai*: young adults who are born to large family wealth and are eager to flaunt it, often in an in-your-face manner that triggers strong reactions from the masses.

In rural areas, class-based stratification – a hierarchy based on economic assets and positions – is also gaining ascendance. Under socialism, rural stratification used to be based on two factors: access to political power and the demographic structure of the family. Since the 1980s, however, when, first, rural industrialization and then rural-to-urban migration unleashed the massive transfer of the labour force from agriculture to non-agricultural jobs, access to non-farm wage jobs has become the greatest source of household income inequality in rural China (Khan and Riskin 1998). Families with political connections are still doing better; but most cadre families get higher

income because they are able to use their political power to either secure wage jobs for family members or to venture into private entrepreneurship (Walder and Zhao 2006).

In recent years, class-based stratification even started to emerge among agricultural producers. Up until the mid-1990s, income from farming was highly equitable among rural households in China. This is mainly because land was distributed within a village in a largely egalitarian manner. Another reason is that farming in general was not very profitable and could not generate much wealth even for families who have more labour and land engaged in farming. But profound changes have taken place in Chinese agriculture in recent years. New actors – in particular, entrepreneurial farmers and agri-business companies – have entered agriculture and started to organize agricultural production on a large scale with rented land and hired labour. A new hierarchy – one that is determined in this emerging CMP on the basis of one's economic position – is transforming what used to be a flattened and homogeneous peasant class into a host of unequal class positions (Zhang and Donaldson 2010).

Despite the changes outlined above, the continued existence of the TMP determines that the divide between the officialdom and commoners would persist. In some areas, this divide is intensifying. With the retreat of TMP, social services ranging from healthcare to education to housing, which used to be subsidized for urban residents, have been marketized. As a result, for many urban residents now working in the non-state sectors (PCMP and CMP), rising prices for these goods and services are now consuming an increasing portion of their income and becoming heavy burdens. In the housing market in particular, they have shifted from recipients of state transfer of surplus under the socialist TMP to subjects of extraction under the post-socialist CMP, paying monopoly rent to state and corporate actors that now control the privatized urban housing.

Thus, the access to state transfer of surplus under the TMP, in the form of subsidized housing and healthcare, job security, pension, and even the potential to collect 'informal incomes', became an even scarcer opportunity and greater privilege. This explains the great enthusiasm shown by young people in pursuing a career in state sectors. In recent years, a civil service job has become the most sought after in the job market. In 2010, over a million applicants participated in the nationwide qualifying examination for civil service jobs, competing for 16,000 openings, making it the most competitive examination in the country and showing the huge appeal that a place in the civil service still has to the young generations.

Those who are already in the civil service are also acutely aware of their privileges and are actively engaged in passing down such privileges to their children. In many local government agencies or state firms, the recruitment of new employees has become an intensely guarded process that is only open to insiders: children of the officialdom and those well-connected. Enriched by the privileges granted by state institutions and protected by the rampant

abuse of official power, some civil servants' children have so antagonized the public with their reckless behaviours and condescending attitudes that they have been labelled the 'officials' second generation', or *guan erdai*, a group that is equally widely loathed as the *fu erdai*.

Conclusion

Many aspects of Chinese society are still in a constant flux; but the set of hierarchies that are taking root now in the social structure, as described above, are likely to be long-lasting features. Fundamental changes have taken place in areas ranging from property rights and corporate governance to market regulation to lay a stable institutional foundation for the operation of the three modes of production: tributary, petty-commodity, and capitalist. The balance between the three will shift; but, barring the unlikely event of regime change or economic collapse, these three modes of production and the socioeconomic hierarchies they generate will be here to stay.

There is probably little doubt that the CMP is going to grow even stronger, as foreign investment continues to pour in and domestic firms get bigger. The increasing clout of big capital and the growth of the CMP are squeezing the space for petty-commodity production. Unless the state steps in to curb the power of big capital, petty-commodity producers will face increasing competition in markets. Experiences from developed countries, however, show that petty-commodity production remains viable even in capitalist economies dominated by big firms. In China's case, the vast number of petty-commodity producers in rural areas provides an even stronger base for the persistence of the PCMP. So long as the collective land ownership in rural areas remains unchanged, which the central government has repeatedly asserted, rural petty-commodity producers will retain some protection against capital's encroachment on their land rights and continue their independent commodity production. Their rank may even grow as more subsistence farmers gain the skill, capital and market access to make the transition into commercial farming, a process that is currently unfolding in many areas of rural China (Zhang and Donaldson 2010).

The number of large SOEs probably will decline slightly, as the central government announced plans to further divest itself of some less profitable SOEs in competitive sectors. The large SOEs that are protected by state-imposed market monopolies and constitute the core of the state sector, however, will remain strong. The central government has made it clear that these national champions will be a pillar in the national economy. In fact, some scholars even worry that preferential treatments given to these state firms and persistent restrictions imposed on domestic private firms are tilting the market in the state firms' favour and could suppress the growth of the CMP (Huang 2008).

Just like the hybrid economy, the social structure of Chinese society will also be characterized by a hybridity of hierarchies. While the politically defined statuses of officials and commoners continue to bring sharply different life

chances to groups possessing different statuses, this status divide is no longer the only dimension that differentiates people and creates different life chances. People who are excluded from the officialdom now can nevertheless gain economic wealth in markets through both the PCMP and CMP. Success in the market economy has already given rise to a growing class of economic elite.³ Some of them may not enjoy as much social prestige as officials and may even be harassed and extorted by corrupt officials, but their economic wealth and the freedom they have to dispose of it, nevertheless, are still the envy of many, even members of the officialdom.

The urban–rural divide is increasingly sustained through the unequal division of labour and exchange relationships under a capitalist economy. The declining significance of political status and rising significance of economic conditions in determining rural–urban inequality can also change the structure of the rural–urban hierarchy. In rural areas, the strong institutional protection of small farmers' land rights and intrinsic barriers in agriculture against the penetration of capital provide stronger foundations for the survival and even growth of petty-commodity producers in agriculture. In the urban economy, in contrast, petty-commodity producers face increasing competition from big capital and declining profits in the production process. Proletarianized urban workers who are exposed to the brute forces of markets are in even worse condition. Compared to agricultural petty-commodity producers in rural areas, they may find that the social status they enjoy as urban residents, which used to put them in enviable positions in the status hierarchy under socialism, now provides few material comforts and is dwarfed by the economic disadvantages they confront in their low positions in the new class hierarchy.

Notes

- 1 Some rural residents worked for state factories as part time workers – they did manual labour and were kept out of the regular payroll. At the end of each year, they went back to their villages and bought work points from their production teams with cash they earned in city jobs, so that they would receive their grain rations. I am grateful to the editor for pointing this out.
- 2 In recent years, the state has started to open up these protected monopoly sectors to private firms. In 2005 and 2010, two rounds of liberalizing measures were implemented to ease and encourage the entry of private capital into these previously protected sectors. However, given the huge size and market dominance of state firms in these sectors, private firms' role will continue to be marginal.
- 3 In reality, however, people who rose to the economic elite through success in the CMP were more likely to have close ties with the officialdom. In a hybrid economy where the TMP remains powerful, ties with officials help private entrepreneurs to either keep the state's grabbing hand at bay from predatory extraction of their wealth, or gain access to monopoly rent protected by state power.

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9 Ethnic minorities

Colin Mackerras

The borders of the People's Republic of China (PRC) are mainly those established by the Qing Dynasty (1644–1911) and inherited by the Republic of China (ROC, 1912–49). The territory the Chinese sometimes call 'Outer Mongolia' belonged to Qing China, but is now an independent state called the Republic of Mongolia, although Inner Mongolia remains part of China. Potter (2011: 2) notes the importance of the 'frontier' in 'China's sense of itself' and its relations with its neighbours, as well as with the communities that live in the frontier areas, which include Tibet, Xinjiang and Inner Mongolia. There is a good deal of overlap between China's border regions and the 'ethnic areas' (*minzu diqu*), which are those places where there are significant ethnic minority populations.

What is an ethnic minority?

The term 'ethnic minority' is the usual English translation of the Chinese *shaoshu minzu*, which means literally 'minority nationality'. The word *minzu* is understood as a community of people with a shared history, territory, language, economic life and culture. First proposed by Stalin in 1913, this definition was adopted by the PRC in its early days and has survived substantially unchanged ever since. Chinese-language texts from the PRC still talk of the *shaoshu minzu*; those in English having changed to current usage from 'minority nationality' or 'national minority'.

The Chinese state recognizes 56 ethnic groups, the Han and 55 ethnic minorities. Everybody is registered as belonging to a particular ethnic group, the decision as to which one resting less with individuals than with the state. The process of reaching the number 56 has been complex, but broadly successful in the sense that Chinese people overwhelmingly accept their assigned ethnic classification. (See Mullaney 2011: especially 120–36.)

There are many ways of categorizing these minorities, including economic life in the pre-modern era, language, culture and religion. The one with the largest territory, though not the most populous, is the Tibetans, who live in the southwest in areas making up nearly a quarter of all China. Two of them formerly ruled the whole of China. The first was the Mongolians who ran