

China's land reform will deepen the gulf between rich and poor

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The Chinese Communist Party (CCP) launched a far-reaching new round of market reform at its Central Committee plenum on October 9-12. The meeting established the framework for peasants to freely trade their collective and state-owned land titles—a step toward large scale industrial agriculture that will inevitably drive millions of small farmers off the land.

The meeting took place amid mounting concern over a global recession. All China's major export markets—North America, Europe and Japan—are slowing sharply. By allowing small farmers to sell land titles, the CCP leaders hope to boost consumer spending—in the short-term at least—and maintain the country's high rate of economic growth.

Although no concrete measures have been announced, Beijing has set the stage, through the state media and official academia, to allow peasants to sell their land-use contracts. During the decollectivisation of agriculture in the early 1980s, the CCP did not privatise the state-owned land but gave individual peasant households a guarantee to use small plots of land for 15 years. In 1993, these contracts were extended to 30 years.

According to economists and officials, the new contracts could be extended to 70 years, allowing farmers to lease their land to corporations or use their plots as collateral for loans. In practice, millions of farmers already lease their lands, especially those working in the cities. But these transactions usually involve other small farmers, not business. Now land rights will be turned into another commodity bought and sold, and subject to speculation on the market.

A plenum communiqué declared that the land reform would double rural income by 2020, and be accompanied by improvements in infrastructure, education and healthcare. The measures are also supposed to reduce official collusion with real estate developers, who have often seized lands from farmers without adequate compensation. Official corruption involving land has been a major cause of farmers' protests and clashes with police.

Far from ending rural poverty, the real consequences for China's 800 million peasants will be a rapid increase in landlessness and a dramatic widening of the gap between rich and poor. The aim of the new policy is to force peasants to give up their plots to agricultural enterprises and create more cheap labour. The turn to large-scale agricultural production to maintain food supplies to the rapidly swelling urban population will accelerate the decay of small-scale farming.

The state media has compared the latest measures with Deng Xiaoping's economic measures 30 years ago. On September 30, President Hu Jintao made a highly publicised visit to Xiaogang village in Anhui province, where a group of farmers first pioneered Deng's division of collectivised lands in 1978.

Once again, Xiaogang village is being promoted as the champion of market reform. According to the *Nanfang Daily* on October 10, Yan Jinchang, one of the farmers involved in the 1978 decollectivisation, signed a contract two years ago, along with a dozen other farmers, to lease his lands to a Shanghai-based agribusiness in return for an annual dividend. Some work for the company as salaried workers. Yan told the newspaper that he earns much more from wages, rent and dividends than by tilling his own plot.

Around 60 percent of the land in Xiaogang village has been leased to commercial growers of mushrooms, flowers, grapes and poultry. The per capita income of the village was 6,000 yuan (\$US877) last year, compared to the national average rural income of just 4,140 yuan (\$605).

The new reform has been broadly welcomed in global financial circles. Huang Yiping, a Citigroup economist, declared that small-scale, subsistence farming "hinders growth of agricultural productivity and achievement of scale efficiency". The *Wall Street Journal* wrote that a typical Chinese farm is about 0.6 hectares in size—compared to 173 hectares in the US and 6 hectares in Hungary and Poland. In advanced capitalist countries such as the US, Canada or Australia, mechanised farming has long established high outputs using small workforces, freeing labour for urban industry.

Undoubtedly concentration of lands allows the application of scientific methods and large-scale production. However, like the privatisation of Chinese state firms in the 1990s, including those that gave shares to workers, the latest land reform will inevitably lead to the concentration of land rights in the hands of well-off farmers and rural entrepreneurs, and landlessness among the majority of the farmers. One Chinese analyst told the *Financial Times* on October 8: "This reform will allow real capitalists into the agricultural sector but we cannot use the words 'privatisation' or 'capitalism' because they will just provide ammunition to hardliners to fight this reform."

The "hardliners" refers to sections of the CCP bureaucracy who fear the reforms will lead to escalating rural unrest. They were well aware of the explosive character of peasants' demands for

land in the three Chinese revolutions in the twentieth century.

An editorial of *Financial Times* on October 12 cautiously noted that the new measures "could provide a one-off opportunity for mass expropriation" of land. "Even if that can be avoided, poor peasants could come under severe economic pressure to sell," due to the decay of publicly-funded healthcare and education. Warning of potential social unrest, the editorial commented: "Social engineering is always dangerous, even if the direction of change is toward private ownership. Beijing should proceed prudently. It is more important that reform be fair than that it be swift."

A new peasant rebellion would have strong support among urban workers. More than 150 million rural migrants are now working in the cities, as cheap labour without basic residential rights. Chinese cities have so far avoided the sprawling slums found in many developing countries, because small plots always provided a safety net for migrant workers if they lost their jobs. However, in recent years, some manufacturing zones have experienced shortages of labour due to workers' demands for higher wages. Migrants have been able to return home rather than accepting low wages. This is unacceptable to Beijing and the global corporations.

The *Economist* on September 4 wrote: "What is the single most important price in the world? Popular answers are the price of oil, American interest rates or the dollar. Yet Chinese wages are, arguably, more important. China has by far the world's biggest labour force, of around 800 million—almost twice that of America, the European Union and Japan combined. Thus recent claims that it is running short of cheap labour would, if true, have huge consequences not just for China, but also for the rest of the world."

The *Economist* argued that to boost the labour force China had to restructure agriculture. "Mechanisation and the consolidation of land plots will boost productivity, meaning that fewer farmers will be needed. That will in turn release more workers for industry. In developed countries only 3 percent of workers till the land," the magazine stated. In other words, far from enjoying a new period of prosperity, most farmers will be stripped off their land and forced to sell their labour power for a miserable wage.

The new land policy underscores the dead-end of Maoism, a form of peasant radicalism that has nothing to do with genuine socialism. Deng launched his market reform 30 years ago by appealing to widespread discontent among farmers over Mao's disastrous "People's Communes". These primitive collectivised villages had no technological resources for large-scale production and the farmers were squeezed to finance a rudimentary industrialisation. Deng pushed for individual farming and small rural entrepreneurship, in order to unleash the spontaneous tendencies among the peasantry toward the market and private property.

The temporary improvement in rural living standards in the early 1980s was largely due to the removal of absurd restrictions on farmers growing fruit or raising stock in their backyards. The relief was short-lived, as the capitalist market inevitably led to deep social divisions between rich and poor and pervasive official corruption, which soon threw hundreds of millions farmers into miserable existence. They became nothing more than a vast reserve army of cheap labour, to maintain a downward pressure on wages not only in China, but across the world.

Karl Marx wrote so well in *Capital* I of the separation of peasants from the land by the growing capitalist relations in agriculture provided labour power and market for industrial capital. The rural poor ruined by the market, Marx wrote, are "constantly on the point of passing over into an urban or manufacturing proletariat... This source of relative surplus population is thus constantly flowing... The agricultural labourer is therefore reduced to the minimum of wages, and always stands with one foot already in the swamp of pauperism."

Some Chinese economists have called for the full private ownership of land, which has been rejected so far by Beijing. Not only would such a step further exacerbate social tensions, but it could also cut across the interests of the emerging capitalist class. As Marx also explained, rent is a deduction paid to landowners from the pool of surplus value extracted from the labour of the working class. From the standpoint of industrial capital, state-owned land removes the necessity of sharing profit with parasitic landowners. Historically, bourgeois radicals such as the Chinese nationalist Sun Yat-sen called for the nationalisation of land to give the broadest possible scope to capitalist development. Mao's land reform in 1949 was not a socialist, but a bourgeois measure aimed at eliminating the old landowning class.

Just as the state-ownership of land allowed Beijing free rein to build infrastructure and industrial zones on a large-scale to attract foreign capital, it will also enable agricultural corporations to acquire whatever land they needed for production. Preventing small farmers from owning their plots of land ensures that there will be no return to small-scale agriculture. Farmers who lease their land will have little say over its use and will in the end lose their limited rights over the land.

The end result can only be a further sharpening of class tensions. On the one hand, a large "surplus" rural labour force will be driven into the cities under conditions in which a sharp global recession is already underway. On the other, the new class antagonism will develop between a new rural bourgeoisie and the agricultural proletariat in an already volatile countryside.



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