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Beyond the Countryside: *Hukou* Reform and Agrarian Capitalism in China

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Abstract

In the populous Chinese countryside, large-scale agrarian capitalism could not succeed without removing a large number of rural people from land. This paper will examine how *hukou* reform has been used to serve this goal by drawing and in many cases forcing peasants to settle down in the city. Contrary to the mainstream opinion that *hukou* reform is progressive and should be pushed further, this paper argues that *hukou* reforms over the past decade have gone hand in hand with changes in land policy, and that a main goal of these reforms was to reduce (permanently) the population in the countryside. Different from studies that focus on rural dynamics in examining the expansion of agrarian capitalism in China, this paper will direct attention away from the countryside and show how city government, urban-industrial capital and agrarian capital have developed common interest in *hukou* reform and formed a tripartite alliance in transferring rural populations to the city.

1 Introduction

Agribusiness companies in China, also called *dragonhead companies*, have grown exponentially in the past one and half decades. Between 2000 and 2012, its number had jumped from a few hundred to more than 110 thousands. While accurate statistics on these companies are unavailable, it is indisputable that a significant proportion of agricultural capital, land, labor and market networks are now under their control. According to official statistics, the number of organizations (including aforementioned dragonhead companies) that had engaged in scaled-up agricultural production, reached 280 thousands in 2012, involving 110 million rural households and covering 60 percent of cropping areas.[1] Based on these data, it can be roughly estimated that dragonhead companies had contracted with 17.7 percent of rural households and exercised some power of control over agricultural production in 23.6 percent of cropping areas.[2] Zhang and Donaldson (2008) thus argued that the increasing clout and rapid expansion of these companies had demonstrated the rise of agrarian capitalism in China.

However, the expansion of agrarian capitalism in China is complicated by the country's unique two-tier land system: the ownership of agricultural land belongs to the village collective while the usage rights of land are contracted to individual households on an egalitarian basis. Rural households can transfer usage rights to other parties but cannot sell off agricultural lands. As a result, agribusiness companies in most cases cannot purchase but nonetheless are able to lease farmland from rural households (Chin 2005; Dong 1996; Ye 2015). In addition, an agribusiness company must acquire usage rights from a large number of rural households if it wishes to scale up agricultural production. These complications are reflected in the debate over whether China should privatize agricultural land. The proponents argue that privatization will grant rural households land ownership so that they could use their lands at their own will and decide what works best for themselves. The collective ownership of land, however, gives the control of land to village authorities and governments, which often make land deals without the consent of villagers (Qin 2007; Gurel 2014). The opponents of privatization contend that the privatization of agricultural land would lead to the concentration of land in agribusiness companies as small rural producers would be lured or forced to sell their lands (Li 2003; Zhang & Donaldson 2013).

The Chinese state has so far ruled out the privatization of agricultural land as an option. Instead it proposed contract farming to solve the contradiction between agrarian capital and household-based land rights. The ideal model is that the agribusiness company, like the dragon's head, leads a large number of rural households, which consist of the dragon's body, in agricultural production. The model of contract farming is believed to benefit both rural households and agribusiness companies. However, it is highly controversial among scholars whether contract farming is a good way to increase the income for rural households. Some scholars have gathered data to show that rural households enjoyed income increase after entering contracts with agribusiness companies (Miyata et al. 2009). But others argued that contract farming was only another way for agrarian capital to exploit the labor and land of rural households, and that forming agricultural cooperatives should be a better way (Huang 2011; Yan 2013).

The two debates—one is on land privatization and the other contract farming—revealed China's distinct path of transition to agrarian capitalism in the past two decades. Moreover, the debates have suggested that the further expansion of agrarian capitalism in China depends very much on whether it could remove a large number of rural people from land. Scholars who oppose land privatization warned that the real intention of land privatization was to displace peasants and concentrate land for

[1] China Association of Agricultural Leading Enterprises (CAALE), www.caale.org.cn/newshtml/1.html

[2] There were 260 million rural households in total in 2012, according to *China Statistical Yearbook 2013* (NBSC 2013).

agrarian capital. To scale up agricultural production, contract farming must also reduce the peasant population living off the land as land rights held by peasants present an obstacle for agribusiness companies to control production and maximize profits. For instance, Zhang and Donaldson (2008) found that land rights provided famers with a source of income and bargaining power vis-à-vis agribusiness companies. Studies on agrarian capitalism and rural dispossession in China are growing, but most studies have so far confined their attention to the dynamics and factors within the countryside. As China is being rapidly urbanized, however, the most important factors affecting the expansion of agrarian capitalism might not be in rural areas.

This paper will show how *hukou* reform, a process that scholars usually associate with migration and urban problems in China, has served and will continue to serve the expansion of agrarian capitalism by removing a large number of rural residents from land. The *hukou* system, a.k.a. the household registration system, is well known among students of China studies. The system has divided the population into urban and rural residents, with different sets of entitlements. Urban residents are privileged by a range of social services in the city, including employment, retirement insurance, health care, children's education, welfare housing, etc., which are usually better than services provided for rural residents. The *hukou* system also grants rural residents access to land, including lands for housing and for farming. As rural residents migrate to the city, however, having no access to urban services has become a serious social problem, and to many scholars, a source of social injustice. Thus it is not surprising that most scholars advocate *hukou* reforms, which allow rural migrants in the city to register as urban residents and receive urban social services (Chan & Buckingham 2008; Cheng & Selden 1994; Han 1999; Solinger 1999; Wang 2005).

Calling for further reform on the *hukou* system has become a powerful discourse in both academic and policy circles in China. A great number of scholars strongly support *hukou* reforms, and governments at both central and local levels have also reiterated the importance of reforming the system, and issued one policy. However, we want to send a warning message about this well-accepted mainstream discourse by bringing in the perspective of agrarian studies. We argue that, although earlier *hukou* reforms benefited rural residents by allowing them to seek employment and business opportunities in the city, recent *hukou* reforms have served as a wheel of agrarian capitalism, the purpose of which is to lure or force rural residents to leave land for the city and open up the countryside for agrarian capital. Redirecting attention from the countryside to the city would allow us to see that the expansion of agrarian capitalism in China is not only an agricultural or rural phenomenon but also a process closely related to urban change and rural-urban relations.

The data used in this paper come from three sources. The first source is the authors' fieldwork in Inner Mongolia, Yunnan province, Hunan province and Jiangsu province over the past 10 years, particularly between 2010 and 2014. These data include more than 200 interviews with local officials, rural households and agribusiness companies. During these field trips, we also conducted village-level investigation in three villages in Inner Mongolia, four villages in Hunan and one village in Jiangsu. The second is official statistics and government documents on *hukou* reforms, rural development, dragonhead companies and urbanization. Governments at both the central and local levels have published a great number of policy documents. An analysis of these documents allows us to see government priorities and rationale in the policy-making process. The third source is media reports and published scholarly works. These data complement the fieldwork and official documents with extra information on local practices and case studies in various parts of China.

Our research found that the new round of *hukou* reforms, which emerged in the last decade, deviated significantly the previous course. *Hukou* reforms in the 1990s, while also derived from the need to reduce the rural population, were mainly pushed by rural experts and officials for the sake of rural development. City governments, particularly the governments of medium-sized and large cities, strongly opposed *hukou* reform for fear that it would burden urban public expenditure. In addition,

agrarian capital at that time was still too weak to push forward the *hukou* reform, though the reform was in its interest. The new round of *hukou* reforms, which emerged around 2003, was initiated by the governments of medium-sized and large cities. What motivated the reforms was the desire of city government and urban-industrial capital to take rural land for real estate development and to increase urban population for the expansion of the urban housing market. In the meantime, agrarian capital has been growing increasingly powerful and the rising profitability of agriculture also drew urban-industrial capital to the agricultural sector. A tripartite alliance emerged among city government, urban-industrial and agrarian capital, which took common interest in *hukou* reform in order to move rural populations to the city.

The rest of the paper is organized as follows. Section 2 examines the emergence of enterprise-led agricultural scaling-up in the late 1990s and its inherent contradictions with the *hukou* system. Section 3 examines the new round of *hukou* reforms in the 2000s and how the process was related to the expansion of agrarian capitalism. Section 4 examines the formation of the tripartite alliance among local government, agrarian capital and urban-industrial capital in recent *hukou* reforms. Section 4 shows the resistance of rural dwellers and migrants to government-promoted and profit-motivated *hukou* reforms. Section 5 concludes.

2 The *hukou* system and efforts to scale up agriculture

The rural reform parceled out collective farms to individual households and replaced the collective system with the Household Responsibility System (HRS), under which individual households were given usage rights of farmland, while land ownership still belonged to rural collectives, usually administrative villages. The new household-based system stimulated agricultural production and contributed to rapid increase in grain output. In 1984, the grain output exceeded 400 million metric tons, which made China a net grain exporter in 1985 for the first time since the Great Leap Forward in 1958 (Naughton 2007: 242).

By dividing up collective farms, however, the rural reform had also created a highly fragmented land system, in which most rural household cultivated less than half a hectare of farmland. In 1990, the average amount of land a household cultivated was only 6.5 mu (0.43 hectare), and an agricultural laborer farmed 4.3 mu of land (about 0.30 hectare) (NBSC 1991: 9, 235-238). Some policy analysts and scholars lamented the fragmentation of land and argued that household-based agricultural production was unorganized, inefficient and unsuitable for agricultural modernization (Zhang & Donaldson 2008: 27-29).

In 1993, Weifang prefecture in Shandong province reported a new model of agricultural development, and called it agricultural integration (*nongye changyehua*). The new practice was intended to overcome the shortcomings of scattered, small-scale household production through coordinated commercialization. On the one hand, it coordinated hundreds of rural households in an area to grow the same crops or raise the same domestic animal, often in the form of "one product per village" (*yicun yipin*) or even "one product per township" (*yixiang yipin*). On the other hand, it linked these rural households to one or more agribusiness companies through contract farming (Guo et al. 2007; Schneider 2014; Zhang 2012). In 1997, the report of the 15th Party Congress endorsed the practice of agricultural integration. In October 1998, the Central Committee issued a guideline document on the future development of agriculture and declared agricultural integration a major means to achieve agricultural modernization. In addition, the document highlighted the importance of dragonhead companies in agricultural integration and called to promote and support these companies.[3]

[3] The title of the document is 'Decisions by the Central Committee of the Chinese Communist Party on Several Key Issues in Rural and Agricultural Works', which was approved by the 3rd Plenary Session of the 15th Party Congress on October 14,

The goal of agricultural integration was to scale up agriculture without changing the fragmented land system. By pooling hundreds of households together and connecting them to dragonhead companies, the policy hoped to create economies of scale and increase productivity. However, to make the policy work, two conditions must be met. The first is that all or most households in a village or a township are willing to participate in agricultural integration. That is, they agree to grow the same crop or raise the same domestic animal, and sign contracts with dragonhead companies. The second is that there must be some organizations to coordinate hundreds of rural households and connect them to agribusiness companies. However, the land system makes it difficult to meet either condition.

Not all rural households are willing to participate in agricultural integration due to the fragmented land system. The amount of land every household cultivates is so small that many households do not regard it as a major source of income but use it for food production for their families or absorbing semi-labor such as the elderly. That is to say, these households do not want to be involved in commercial farming because the size of land is too small to generate an attractive profit. Instead they undertake nonagricultural businesses or engage in labor migration. This contradiction is more serious in populous agricultural provinces in central China such as Hunan and Hubei than in north China where the size of land holding is relatively large. Our fieldwork in Hunan province and Inner Mongolia revealed this difference. Many households in Hunan only used agricultural land to produce food for family consumption rather than a source of income, whereas in Inner Mongolia, agriculture still accounted for more than 50 percent of household income for many households.

In addition, contract farming that involves hundreds of rural households requires coordination, but dragonhead companies are often unable to take this task for their lack of authority over rural households or the high cost of coordination. Thus coordination is usually done by village and government organizations. In some regions, county and township governments were so eager to promote agricultural integration that they forced all rural households to sign contracts with agribusiness companies. However, such coercive policies were usually unsustainable because rural households would seek compensation from local governments if the project of agricultural integration failed. In some regions, village and township organizations were simply too weak or lack of authority to undertake coordination for agricultural integration.

A common solution to the two problems above is to change the land system and concentrate fragmented lands in the hands of a much smaller number of rural households or agribusiness companies. This will stimulate the interest of rural households in agricultural integration because they could receive much more returns with a larger size of land. In addition, it is easier to coordinate a smaller number of rural households, and if the land belongs to agribusiness companies, it does not need external coordination at all.

However, rural residents' land rights are attached to their *hukou* status and membership in the village. If rural residents give up their lands, voluntarily or involuntarily, they must be granted urban *hukou* and receive urban welfare benefits like other urban residents. This connection brings attention to the relationship between land and *hukou*.

The *hukou* system, established in the late 1950s, was not intended to protect the land rights of rural residents initially. Rather, it aimed to restrict migration from the countryside to the city because the Chinese state was unable to support a growing urban population that relied on the state for food provision in a socialist system. In addition, the restriction of rural-urban population movement would also ensure that the state could control grain production and distribution, and transfer rural surplus to urban-industrial sectors for its "catch up" modernization project. To achieve the goal of migration control, the Chinese state made separate welfare arrangements for rural and urban residents. For urban residents, the state provided a full package of welfare benefits including food coupons, employment,

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1998.

housing, education, health care and pensions. Among rural residents, there were two types of *hukou*: agricultural *hukou* and non-agricultural *hukou*. Non-agricultural *hukou* holders included teachers, cadres and retired urban workers, who did not cultivate farmland and continued to receive state-provided welfare benefits. Most rural residents held agricultural *hukou* which allowed them to farm the land and receive benefits from rural collectives (brigades and production teams). Out of convenience, we will use rural *hukou* and agricultural *hukou* interchangeably, unless specified otherwise.

During the process of de-collectivization, only rural residents who held agricultural *hukou* were give land. As a result, agricultural *hukou* became an indicator that defined one's peasant status and right of access to agricultural land. In the 1980s and 1990s, the village would take land back if a villager changed *hukou* status to non-agricultural, for instance, in the event that one attended college. However, agricultural land was worth much less than urban welfare benefits associated with urban *hukou*. This difference can be seen from the sale of urban *hukou* by many local governments in the early 1990s. In a county in Inner Mongolia, we found that an urban *hukou* was sold for a few thousand yuan in 1994. In large cities like Chongqing, an urban *hukou* would be sold for more than 10 thousand yuan. In very large cities such as Shanghai, Beijing and Tianjin, the value of an urban *hukou* was much more valuable than Chongqing and would be worth tens of thousands of yuan.

The *hukou* system thus contradicts the implementation of agricultural integration for its association of individual land rights. As noted earlier, the success of agricultural integration is conditioned on whether a significant proportion of rural households would give up land and move to nonagricultural sectors or to the city. Thus there were growing voices, particularly among agricultural officials and rural experts, advocating for *hukou* reform in the 1990s. However, urban governments during this period were reluctant to grant rural residents or migrant workers urban *hukou*, except for the case that they sold urban *hukou* for revenue.

Many high-profile rural officials and agricultural experts were pushing for *hukou* reform in the late 1990s. For example, Mr. Han Zhangfu, the current Minister of Agriculture and then the vice director of the Office of the Central Leading Group on Finance and Economic Affairs argued that the *hukou* system should be reformed in small cities to accommodate surplus rural population (Han 1999). Mr. Han Jun, a rural expert and a current vice director of the Office above, argued for the importance of *hukou* reforms to rural development including agricultural integration (2000). Mr. Lu Xueyi, one of the rural experts who drafted the 1998 document on rural development, had reiterated in his works the importance of *hukou* reforms to agricultural development (Lu 2003, 123-145, 179-187, 234-242). Many other scholars on agriculture also pointed out the contradictions between the *hukou* system and rural development (Kong 1999; Hu et al. 1999).

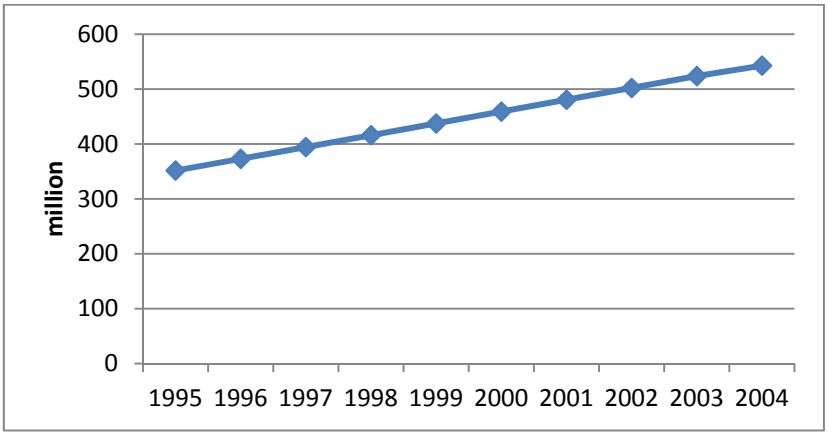
In addition, key government documents on *hukou* reform in the 1990s were often linked it to rural development. In November 1993, the guideline document passed at the 3rd plenary session of the 14th Party Congress raised the issue of *hukou* reform for the first time after the relaxation of the *hukou* system in 1984. The document emphasized that the government would gradually reform the *hukou* system of small cities and towns, and this statement was put together with the development of TVEs. However, the Chinese state turned attention to urban reforms afterwards, and *hukou* reform once again stalled (Huang 2008). It was not until 1997 that the central government started to experiment a *hukou* reform in 382 small cities. The main purpose of the reform was to promote nonfarm activities of rural households and transfer surplus rural population to small cities and towns. In 1998, the aforementioned guideline document on agriculture emphasized the importance of *hukou* reform in small cities to rural development and aimed to transfer rural surplus population on a large scale. In 2001, the *hukou* reform in small cities became a national policy.

Agricultural integration went hand in hand with *hukou* reforms in small cities. For example, Weifang prefecture, which created the model of agricultural integration, started to reform the *hukou*

system in its small cities in the late 1990s to transfer rural residents out of the countryside (Teng 1999). Aware of the contradiction between agricultural integration and the *hukou* system, rural experts, high-ranking central and Shangdong officials held a conference in Weifang in October 1998 on the need to develop small cities. The conference highlighted the importance of *hukou* reform and transferring rural surplus population to the city and held that it provided a necessary precondition for agricultural integration (*Weifang Yearbook 1999*, 213; Ni 1999). It should be pointed out that agricultural integration was not the only reason for rural experts and officials to push for the *hukou* reform. It was commonly held among the experts and officials that the large rural population hindered rural development and slowed down the growth of rural income. This belief became particularly strong when rural China experienced serious problems in the late 1990s, which were characterized as "Three Rural Problems" (Li 2002; Lu 2001; Wen 2001).

However, the *hukou* reform in the late 1990s only achieved limited success. Figure 1 showed that the number of rural residents that changed *hukou* status to urban had not increased significantly in the wake of *hukou* reforms in 1997 and 2001. The major reason was that urban *hukou* of small cities had largely lost its appeal to rural residents because the benefits of holding an urban *hukou* in small cities had greatly diminished. By the late 1990s, urban *hukou* no longer guaranteed a job or provided medical or retirement insurance. To draw more rural residents to small cities, the *hukou* reform in 2001 even allowed rural residents to maintain their usage rights to farmland after they registered with urban *hukou*. However, the measure to separate rural *hukou* and the rights to farmland had not convinced rural residents to give up rural *hukou*. The reason, based on our fieldwork in Inner Mongolia, Hunan and Jiangsu, was that rural residents continued to associate rural *hukou* with land rights.

Figure 1 Growth of urban population in China: 1995-2004[4]



Source: *China Statistical Yearbook 2005*, chapter 4-1.

The slow-pace *hukou* reform and its limited effects on drawing peasants to cities also reflected the weakness of agrarian capital in China around the turn of the century. As noted above, *hukou* reforms that allowed peasants to settle down in the city suited the interest of agrarian capital. However, agrarian capital, only emerged during the 1990s, was too weak to push forward *hukou* reforms, particularly in medium-sized and large cities, as city governments were resisting *hukou* reform for fear that it would greatly increase public expenditure by offering *hukou* to rural residents and migrants. Moreover, the governments issued many exclusionary policies toward rural migrant workers. Urban-industrial capital was also resisting *hukou* reform, or at least unsupportive of it. In the 1990s and early

[4] Urban population included both urban residents who hold urban *hukou* and migrants who have stayed in the city for more than six months of the year. A significant proportion of urban growth was contributed by rural-urban migration, thus the number of rural residents who changed *hukou* status must be much lower than the figure reflects.

2000s, most of urban-industrial capital was engaged in manufacturing, including foreign capital in export processing zones in coastal areas and private urban capital that newly emerged in the 1990s. These two types of capital had obtained cheap labor through rural-urban migration. As long as labor supply was abundant, they were not interested in pushing to change the *hukou* system. Some scholars argued that the *hukou* system was beneficial to urban-industrial capital because the system suppressed the militancy of migrant workers by making them second-class citizens (Alexander & Chan 2004). Another type of urban-industrial capital was state-owned enterprises. However, these enterprises were shedding workers in the 1990s, and had no interests in changing the *hukou* system as long as they could replace "expensive" urban workers with cheap migrant workers.

In short, agrarian capital was too weak to push forward *hukou* reform in the late 1990s even though it suited its interests. In the meantime, urban governments in medium-sized and large cities were resisting *hukou* reform, and urban-industrial capital also had no incentive to change the *hukou* system. The push to reform the *hukou* system in the 1990s mainly came from rural experts and officials, who advocated the relaxation of the *hukou* system to reduce surplus population in the countryside. However, this situation started to change in the 2000s as agrarian capital, urban-industrial capital and urban governments took common interest in reforming the *hukou* system. As a result, a new round of *hukou* reforms has taken place.

3 The new round of *hukou* reforms

The new round of *hukou* reforms, which started in the early 2000s, first took place in medium-sized and large cities, though many small cities followed suit and further relaxed their *hukou* restrictions. As noted earlier, medium-sized and large cities were steadfastly resisting *hukou* reforms in the 1990s because granting *hukou* to rural residents would increase government expenditure on welfare and public services. In the last decade or so, however, an increasing number of such cities started to relax their *hukou* restrictions either by lowering the bar on qualifications or offering welfare benefits and public services for non-*hukou* holders.

Why did these cities change their minds and seek to bring in a great number of rural residents? Most of the existing studies focused on how these reforms still came short of the expectation or failed to change the *hukou* system substantively (eg. Chan & Buckingham 2008). This was probably the case. However, by dismissing these reforms as unimportant or piecemeal, few scholars have fully recognized the nuances of these reforms, which we argue signaled the emergence of new social economic forces affecting both the countryside and the city. This section will show that the new round of *hukou* reforms significantly departed from the earlier course. Moreover, the intention of these reforms was not to create a more equal system but to separate rural residents' land rights from their *hukou* status, paving the way for land expropriation and concentration. This can be seen from three new features of recent reforms.

First of all, it was local governments that initiated and orchestrated the new round of *hukou* reforms, whereas the 1997/2001 *hukou* reforms were made by the central government. This should be puzzling to many *hukou* experts who consider local governments the major obstacle to the *hukou* reform, based on the fact that local governments must pay for expanded welfare and public services (J.P. Morgan 2012). Nevertheless, an increasing number of local governments rushed to issue their own versions of *hukou* reform. Table 1 shows that by 2011 most provincial regions (26 out of 32) had issued *hukou* reforms, virtually covering all geographic regions.

Table 1 *Hukou* reforms at the local level: 2001-2011

Year of the reform	Cities, prefectures, or provinces

2001	Ningbo, Zhejiang
2003	Shijiazhuang, Hebei; Zhengzhou, Henan; Shenyang, Liaoning; Dalian, Liaoning; Wuhu, Anhui; Chongqing; Hebei province; Jiangsu province
2004	Changde, Hunan; Chunzhou, Hunan; Haidian, Beijing; Nanjing, Jiangsu; Foshan, Guangdong; Guangzhou, Guangdong; Guangdong province; Sichuan province; Hubei province; Shandong province
2005	Jinan, Shandong; Guangxi autonomous region; Zhejiang province; Heilongjiang province;
2006	Honghe, Yunnan; Xi'an, Shaanxi; Chengdu, Sichuan; Henan province; Inner Mongolia
2007	Jinan, Shandong; Shunyi, Beijing; Taiyuan, Shanxi; Qingdao, Shandong; Chongqing; Liaoning province; Gansu province
2008	Jiaxing, Zhejiang; Ruzhou, Sichuan; Kunming, Yunnan; Yunnan province
2009	Qiqihar, Heilongjiang; Taiyuan, Shanxi; Guangzhou, Guangdong; Anhui province; Hebei province; Shanghai
2010	Chengdu, Sichuan; Chongqing; Guangdong province; Hebei province; Jilin province; Guizhou province
2011	Yinchuan, Ningxia; Kunming, Yunnan; Jiangxi province; Anhui province; Henan province; Liaoning province

Sources: media reports and government documents.

Second, a core component of these local *hukou* reforms (except for a few cases) was to eliminate the distinction between agricultural and non-agricultural *hukou*, and establish a unified *hukou* system.[5] The stated reason for the reform was to reduce social discrimination against agricultural *hukou* holders. However, these reforms also attempted to separate the land rights of rural residents from their *hukou* status. That is, holding a *hukou* in the countryside does not guarantee access to housing or agricultural land. Some local governments did not even disguise the intention of using the reform as a way to seize land from rural residents. For example, the much publicized Chengdu and Chongqing *hukou* reforms, which started in 2006 and 2007 respectively, took great effort to persuade (or force) rural residents to exchange their land in the countryside for a *hukou* in the city. The problem to push rural populations off land in the name of *hukou* reform became so serious that the State Council had to issue its own *hukou* reform document in February 2011 to prohibit this practice. The document states,

> "*In recent years, some local areas actively explored and issued policy measures for rural populations to obtain urban hukou. They provided some good lessons, but also created some problems that must not be ignored. Some places pursued the scale and speed of urbanization regardless of the local reality of social and economic development; some places lowered the criteria of obtaining urban hukou regardless of city size and accommodating capacity; some places pushed beyond national policies and harmed the interests of the masses.*"

And it demanded that rural residents' and migrant workers' land must not be taken away without their consent after they obtained urban *hukou*, that the land quota for urban construction and other non-agricultural uses must not be exceeded in the name of *hukou* reform, and that land expropriation in the name of *hukou* reform must be stopped.

Finally, the *hukou* reforms have gone hand in hand with efforts to alter land relations in the countryside. As noted previously, the success of agricultural integration depends on the concentration

[5] For an analysis of these reforms on the elimination of agricultural *hukou*, please see Chan and Buckingham (2008).

of land and the scaling up of agricultural production. Thus it was in the interest of agrarian capital to push for *hukou* reform. In the late 1990s and early 2000s, however, agrarian capital was too weak to make a significant impact. Although the governments at both central and local levels started to promote land transfer (*tudi liuzhua* in Chinese) in the late 1990s, the progress was slow for the concern about social stability. For instance, a document in 2001 showed that the central government encouraged land transfer between rural households but discouraged land transfer to urban residents and agrarian companies.[6] As agrarian capital grew powerful, however, it was able to exert more and more influence on government behavior. After 2005, the central government allowed and even promoted the transfer of agricultural land to a small number of rural households, rural cooperatives or agrarian companies. This culminated in the 2013 No. 1 Document that called to create large family farms. Local governments were probably more aggressive than the central government in pushing for land concentration. Our fieldwork in Jiangsu, Hunan, Jiangxi, Yunnan, Henan and Inner Mongolia in the past decade found that local governments were actively to draw agrarian capital, particularly dragon-head companies, by offering a large chunk of land or brokering (in many cases forcing) land deals between peasants and companies.

In addition to measures that allowed more rural residents to apply for urban *hukou*, the new round of reforms has also taken many small steps to extend urban welfare benefits and public services to rural migrant workers in medium-sized and large cities, including but not limited to work-injury insurance, workplace protection, children's education, employment services, and neighborhood services. In recent years, the governments, both central and local, have proposed and tried to extend additional urban benefits to migrant workers. For example, many cities started to allow migrant workers to pay into the urban pension system, and some cities/provinces went as far as to provide migrants with welfare housing.[7] It is true that urban welfare for migrant workers is still limited and many benefits tied to *hukou* status, particularly in very large cities. For instance, minimal living support (*dibao*) and unemployment compensation, two crucial benefits for the urban poor, still exclude migrant workers (Zhan 2011).[8] Nevertheless, these measures have to some extent improved the living and working conditions of rural migrants in the city.

Why did city governments, opposing *hukou* reforms in the 1990s, take the initiative to reform the system in the 2000s? The growing power of agrarian capital alone could not explain this change. While agrarian capital could sway the decision making of governments in rural regions or lobby the central government for capital-friendly agricultural policies, it had little influence on city governments. The change in urban *hukou* policy in the last decade, according to our research, was derived from the rise of new interests of city government and urban-industrial capital. Transferring rural populations to the city, previously seen as a burden on urban resources, had become a positive factor to both urban revenue and the profitability of capitalist investment. As a result, city governments and urban-industrial capital started to draw more rural residents to the city by relaxing *hukou* restrictions and offering more urban benefits and services.

[6] The document was issued by the CCP Central Committee, and its serial number was Zhongfa (2001) No. 18.

[7] Examples which were reported to offer migrant workers welfare housing include Chongqing, Sichuan province and Shandong province.

[8] Another example is college admission. One's provincial *hukou* status determines where he or she should take college entrance exams. Inter-provincial migrants must return to their home provinces to attend the exams and obtain college admission based on the province's quota. In 2013, a few provinces such as Zhejiang and Anhui allowed students without local *hukou* to take college entrance exams. However, there have been no substantial changes in Beijing and Shanghai, two major migrants-receiving cities where local students enjoy much higher chance of college admission than others because of their privileged access to education resources.

4 The tripartite alliance

The active stance that city governments took toward *hukou* reform had much to do with economic changes in the city: urban real estate and the housing market had become increasingly important to urban economic growth and the generation of urban revenue in the 2000s. These changes, along with the growing profitability of agricultural sectors, had given rise to a tripartite alliance between city government, urban-industrial capital and agrarian capital, which together push to reform the *hukou* system based on their common interest. This section first discusses the motivation of urban capital and city governments in *hukou* reforms, and then examines the tripartite alliance.

4.1 Rise of urban interests in hukou reforms

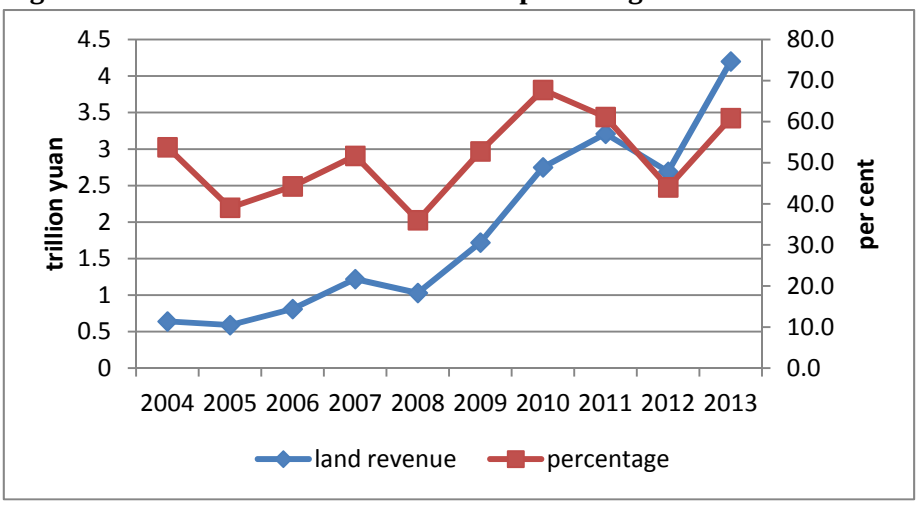
In the 1990s, the major source of urban revenue was industrial production and commercial activities. During this period, city governments took rural land and converted it into industrial zones. However, industrial lands were usually offered to manufacturers at low rates in the hope that the expansion of industrial and commercial activities would bring in more tax revenue in the future. In this context, city governments had little incentive to provide urban *hukou* for rural residents as long as the migration of rural laborers could supply sufficient labor force for industrial and commercial sectors. As noted earlier, the 1997/2001 reforms were advocated by rural experts and officials, whereas the governments of medium-sized and large cities resisted any changes in the *hukou* system. Moreover, they issued a number of discriminatory policies in order to control the migratory rural population.

In the past decade, however, the engine of urban economic growth was shifted to the real estate sector. By expropriating and selling rural land to developers, urban governments took in a considerable amount of revenue. In the meantime, the expansion of real estate sector also allowed urban capital to derive profits from a wide range of economic activities, including but not limited to infrastructure construction, housing construction, production of building materials, house remodeling, mortgaging and the sale of real estate. In this process of land urbanization, rural residents and migrants are not only laborers hired and exploited by urban capital but also consumers of urban real estate. Therefore, it is in the interest of urban governments and urban-industrial capital to attract more rural residents to the city to boost the urban real estate market.

It is no secret that land has become a major source of revenue for local governments in China. In 2013 local governments raked in 4.2 trillion yuan from land sales, accounting for 60.2 percent of the total local revenue. Figure 2 shows that land sales made up 50 percent of the local revenue between 2004 and 2013 on average, and correlated closely with ups and downs of the economy, suggesting that both local revenue and economy have been highly dependent on land transactions and related industries such as real estate. This led to the rise of a land revenue regime at the local level, in which the fiscal system as well as many local policies revolves around land grabs and sales.

Many scholars have conducted research on land expropriation and its social and economic impacts in China. However, very few examined the relationship between the recent *hukou* reforms and land expropriation. The main reason, as we suggested previously, is that most *hukou* experts have focused only on the system's migration control and unequal welfare and service provision while neglecting its role of protecting land rights for peasants.

Figure 2 Revenue from land sales and its percentage in the total local revenue: 2004-2013



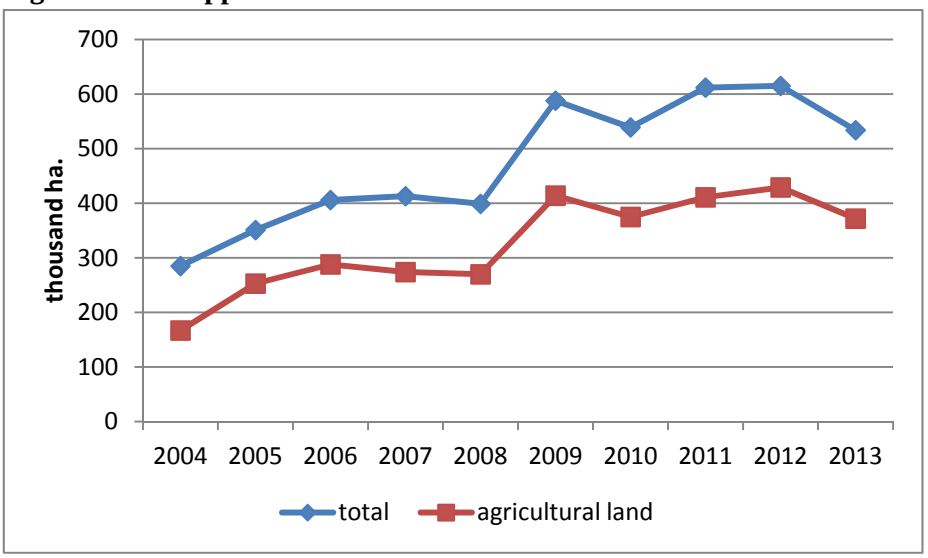
Data sources: China Land and Resources Statistical Yearbook 2012, p.6; China Land and Resources Statistical Bulletins 2012 and 2013; China Statistical Yearbook 2013, Chapter 9-1.

Land rights for peasants under the *hukou* system constitute a major obstacle to the functioning of the land revenue regime because on the one hand, the local government must get rid of peasants' land rights if they want to take land from them; on the other hand, urban real estate markets would be limited if the majority of the rural population still hold onto their houses in the countryside. The new round of *hukou* reforms has served to remove this obstacle in three ways.

First of all, by eliminating the distinction between agricultural and non-agricultural *hukou* and opening up household registration in the city, the reforms made it easier for local governments to deal with the problem of "landless peasants". Agricultural land, owned by villages and peasants, has been the main target for land expropriation by local governments. Between 2004 and 2013, the central government had approved 4.7 million hectares of land to be used for urban and industrial construction, among which 3.3 million was agricultural land, accounting for 68.6 percent (also see Figure 3).[9] The result is that a large number of peasants, which was estimated up to 100 million, lost their land to land expropriation (Zhang, 2015). Landless peasants became a headache for local governments because they claimed land rights when their land was expropriated. Some of them even claimed these rights after they lost their land by launching petitions and protests (Yu 2005; Sargeson 2013; Zhang 2015). The problem was partly derived from agricultural *hukou* that gave peasants a strong sense of entitlement to land. If peasants hold no agricultural *hukou* but a unified *hukou* instead, their relationship with land would be weakened. In the case of the Shijiazhuang *hukou* reform in 2003, it has been found that the reform helped the government deal with the problem of "villages in the city" (chengzhongcun) by changing peasants' *hukou* status (Wang 2003). Therefore, eliminating agricultural *hukou* or granting rural residents urban *hukou* paved the way for local governments to expropriate more land. It should be noted that agricultural *hukou* alone could not stop land expropriation, as we have seen in the past decade, but it certainly increased the costs of land expropriation, both economic and social.

[9] The actual amount of agricultural land that has been grabbed for urban and industrial construction must be larger than reported because local governments often expropriated peasants' land without the approval of the upper government. Chinese scholars estimated that illegal land grabs by local governments could amount to at least 30 percent of the approved land grabs (Zhang 2015).

Figure 3 Land approved for construction use: 2004-2013



Data sources: Data sources: China Land and Resources Statistical Yearbook 2011, p.87; China Land and Resources Statistical Yearbook 2012, p.75; China Land and Resources Statistical Bulletins 2012 and 2013;

Second, the *hukou* reforms targeted not only agricultural land but also housing land in rural areas. The central government believes that it would threaten national food security if too much agricultural land was converted to urban and industrial use. Thus it drew a red line on urban encroachment on agricultural land: the country must maintain at least 1.8 billion mu (120 million ha.) of agricultural land. Although this red line has already been crossed due to urban expansion, the government still imposes tight restrictions on expropriating agricultural land. This motivated local governments to seize rural residents' housing land instead. This kind of land expropriation has undergone in multiple forms. First, local governments sought to turn near-city villages into urban neighborhoods (called *cungaiju* in Chinese) by registering all rural residents in the villages as urban. Second, peasants still retain agricultural *hukou*, but they are moved into apartment buildings to save land for urban use. Third, peasants can sell their housing land in the market, which was approved by the 2013 land reform but was initiated by local governments such as Chengdu (Sichuan), Chongqing and Yiwu (Zhejiang); Fourth, peasants can directly exchange housing land for urban *hukou*, as practiced in Chongqing's *hukou* reform. Local governments had put forward a powerful argument for expropriating housing land in rural areas: millions of rural residents have moved into city as migrant workers, and they are living in the city but retaining empty houses in the countryside, which is a waste of resources. If they allow these migrants to stay in the city, they should have right to find a way to seize their housing lands in the countryside.[10]

Finally, *hukou* reforms could boost the urban housing market, which benefited both urban governments and urban capital. Nearly all local *hukou* reforms offered urban *hukou* for rural residents who purchased apartments or houses in the city. For example, Shenyan, the capital city of Liaoning province, opened household registration in 2003 for those who purchased houses in the city. Tianjin, the large port city next to Beijing, has been practicing house purchasing for *hukou* (*goufang luohu*) for nearly two decades ever since the 1990s. The much publicized *hukou* reforms in Shijiazhuang (Hebei) and Zhengzhou (Henan) in 2003, which most *Hukou* experts regarded as radically progressive, were

[10] For an example of this argument, please see Huang (2013). The article introduced why and how Chengdu government took peasants' housing land and concentrated peasants in small areas. The author is affiliated with Bureau of Land and Resources of Chengdu Municipal Government.

also an attempt to expand their housing markets. Both provincial capitals offered *hukou* as a way to encourage migrants to purchase urban houses. This suggests that the *hukou* reforms had become a tool for local governments to promote the sale of real estate, which could increase their revenue from the land.

It must be pointed out that the policy opening up household registration alone, that is, offering *hukou* with no strings attached, can contribute to government revenue and the profits of capital because, first, migrants who hold local urban *hukou* are likely to stay in the city and would purchase a house eventually; second, an increase in urban population due to easy access to urban *hukou* or urban welfare and public services enlarges the housing market because everyone in the city must find a place to stay, either through purchasing or renting; third, an increase in urban population also allows local governments to negotiate with upper governments (provincial and central governments) for a larger quota of urban construction land. This can explain why many local reforms relaxed the condition on house purchasing and allowed migrants to apply for *hukou* even if they were renters. That is to say, increasing urban population has been seen as an effective way to sustain the land revenue regime for it on the one hand allows the government to grab more land; and on the other hand, it increases demand for urban housing. It is then no surprise that a major goal of many local *hukou* reforms was to rapidly increase urban population and expanded the size of the city. Table 2 shows that many local governments set up a lofty goal of urban expansion for their *hukou* reforms. Most of the cities wanted to double or tripartite their urban populations in 10 to 15 years.

Table 2 Local *hukou* reforms and the goal of urban expansion

Year of the reform	City or prefecture	Urban population at the time of reform (million)	Goal for urban population
2001	Shijiazhuang, Hebei	1.9	2.3 million in 2005 ; 5 million in 2020
2003	Zhengzhou, Henan	2.4	5 million in 2020
2004	Foshan, Guangdong	1.9	2.7 million in 2005; about 8 million in 2020
2005	Jinan, Shandong	3.7	5.3 million in 2020
2006	Chengdu, Sichuan	5.7	7 million in 2010; 16 million in 2020
2007	Chongqing	8.8	19 million in 2020
2008	Kunming, Yunnan	3.6	6.5 million in 2020
2009	Qiqihar, Heilongjiang	1.9	3.4 million in 2020
2011	Yinchuan, Ningxia	1.5	3 million in 2020

Data sources: media reports and government documents.

The central government of China chose urbanization in 2013 as its development strategy for the next decade. Our analysis above suggests that this would further encourage local governments' land expropriation for urban expansion. In July 2014, the government released its guideline document on *hukou* reform, which followed previous local *hukou* reforms on eliminating the distinction between agricultural and non-agricultural *hukou* and gave permission for small and medium-sized cities to open their household registration. Although it called for a slowdown on the expansion of large cities, it is highly doubtful that local governments will follow this directive, as Table 2 shows that they have been

rushing to expand city size as large as possible. In short, the much expected new *hukou* reform basically gives what local governments wanted, though it also asserted again that land rights of rural residents should be protected.

4.2 The formation of a tripartite alliance

As city government and urban-industrial capital were eager to attract rural residents to the city to shore up the housing market, a tripartite alliance between them and agribusiness capital emerged. The alliance held common interest in using *hukou* reform as a means to facilitate the separation of land rights of rural residents from their *hukou* status.[11] The growing profitability of agriculture in the 2000s reinforced the alliance and contributed to the merging of urban-industrial and agrarian capital.

As noted earlier, agrarian capital in the late 1990s and early 2000s was too weak to make any significant policy impact. The weakness not only came from its nascent formation but also from the low profitability of agriculture. This situation pushed peasants to leave the countryside in masses and join the swelling migrant labor force. It also contributed to the emergence of a general rural crisis in the 1990s, which Chinese scholars called "Three Rural Problems," as previously noted. Agribusiness companies, facing a weak market for agricultural products, were also struggling to make a profit. This started to change around the mid-2000s, however.

In 2006, one of the authors participated in a large research project which investigated rural development in 12 villages in six provinces: Jiangxi, Jiangsu, Yunnan, Sichuan, Gansu and Inner Mongolia. The findings showed that agriculture had become more profitable than the early 2000s, and that peasants also took more interest in farming, particularly in commercial farming. In places such as Inner Mongolia where the average size of land holding is relatively large, the positive impact of agriculture on household income was greater than areas where per capita land was small. Nevertheless, agriculture became more important to household income than before in most rural areas. This trend continued up to date according to our recent fieldwork in the countryside.

An important reason for the rise in profitability was that the central government greatly increased the support for agriculture under the strategy of "Constructing Socialist Countryside." This included a set of pro-rural policies such as the abolishment of agricultural taxes and fees, the improvement of rural infrastructure, the provision of new agricultural subsidies, and the purchasing of agricultural products at elevated prices. Between 2004 and 2015, the central government had 12 years in a row used the No.1 document to deal with the issues of agriculture and rural development. Agribusiness companies also received increasing support from the governments for their central role in the strategy of agricultural integration (Schneider 2014).

Another factor that made agriculture profitable was rapid urbanization and the massive-scale rural-urban migration. With more than 50 percent of the population living in the city,[12] a huge market for food and other agricultural products came into being, pushing up food prices and agricultural profits. In the meantime, consumption patterns were diversified, with both rural and urban residents consuming more value-added products such as meats, fruits and off-season vegetables. These changes created more profitable opportunities in agriculture. Some scholars argued that China had experienced an agricultural revolution in the recent decade as demand drove up agrarian investment (Huang 2010).

In addition, a change in urban life style created demand for new ways of agriculture-related consumption. For example, it has become popular among better-off urbanites to get out of the city and

[11] It should be pointed out that there are exceptions to this tripartite alliance. For example, Beijing and Shanghai, the largest two cities, continued to maintain exclusionary *hukou* policies, because there is no need for them to relax *hukou* restrictions to attract new residents as economic opportunities in the cities alone could draw migrant laborers across the country.

[12] In 2014, there were 749 million people living in the city, accounting for 54.8 percent of the total. http://www.stats.gov.cn/tjsj/zxfb/201502/t20150226_685799.html.

into the countryside on weekends and holidays. As a result, the sectors of agro-tourism and eco-agriculture had drawn an increasing amount of investment, giving rise to a large number of agribusiness companies. A search on Baidu, the largest search engine in China, generated 2,061 such companies, which concentrated in medium-sized and large cities. This number only included the companies that had created their profiles online, and the actual number would be significantly larger. In addition to agro-tourism, a small but growing number of urban riches desired to own an extra villa-like house in the countryside. This had led to the rise of the housing market in small towns surrounding large cities. The aforementioned land reform in 2013, which allowed rural households to sell their housing land in the market, met this demand in a timely fashion by making rural housing available to urban residents.

The rising profitability of agriculture not only empowered existing agrarian capital but also drew urban-industrial capital into agriculture, while in the meantime powerful agrarian capital also started to invest in urban real estate. The two kinds of capital have thus become increasingly intertwined in the past decade, consolidating the tripartite alliance.

The rising profitability has drawn large real estate corporations into agriculture. For example, the Guangzhou Evergrande Corporation, known as *hengda jituan* in Chinese, is a top three real estate developer in China. According to its 2014 annual report, its assets valued at 475 billion yuan (about 75 billion US dollars), and had real estate assets in more than 50 large cities in China. In August 2014, it announced that it would invest more than 100 billion yuan (about 16 billion US dollars) in agriculture, including 7 billion yuan (1.1 billion US dollars) that it already spent building 22 production bases (Guo 2014).[13] The growing demand for organic agricultural products also attracted urban-industrial companies to this business. For example, it was reported in 2013 that more than 75 urban-industrial companies from a district of Zibo city, a medium-sized city in Shangdong province, had involved in organic agriculture (Sun & Wei 2013). While conducting fieldwork in Kaifeng prefecture of Henan province in June 2014, one the authors found that a large urban corporation, which was mainly engaged in real estate and furniture manufacturing, was working with the local government to take 2000 mu of land (about 133 hectares) from villages to build a site for agro-tourism.

The flow of investment also went the other way around. Many agribusiness companies have also involved themselves in urban real estate development. For example, the China National Cereals, Oils and Foodstuffs Corporation, the largest dragonhead corporation in China, has long been involved in real estate business and controlled two large real estate companies. Many other less powerful agribusiness companies, including local agribusiness companies, also invested in real estate and other non-agricultural sectors (Hou et al. 2008; Liu et al. 2011).

The merging of agrarian and urban-industrial capital made them more powerful than in the past in terms of influencing government policies. At the central level, agribusiness companies have been able to lobby for substantial policy changes. As noted earlier, it is in the interest of agribusiness companies to take land from rural households rather than worked with them through contract farming. In the early 2000s, a practice, which is called “inverse contracting” (*fanzu daobao*), emerged and quickly became a favorable way for agrarian capital to control agricultural production. Under the current land system, peasants contract land from the village collective and possess use rights of the land. The practice “inverse contracting” reverses this process, that is, the village collective contracts land back from peasants by offering peasants a certain amount of money. After that, peasants lose all rights on the land and the village collective can give the entire village land to one or a few agrarian companies. This practice allows agrarian companies to control the whole process of large-scale agricultural production. The “Golden Land” experiment in Chengdu in 2003, which drew much media attention, was actually a

[13] Also see the company’s website, www.evergrande.com.

practice of "inverse contracting".[14] Concerned about the large-scale loss of land on the part of peasants under "inverse contracting", the central government ordered in 2001 and 2008 to stop the practice. However, there was no sign that the spread of inverse contracting halted at the local level (Li 2012). Finally, the central government gave in and implicitly permitted the practice in the last two No.1 documents (2013 and 2014). This concession, as we noted earlier, was concomitant with the government's *hukou* reforms in the past two years.

Local governments including city governments have been more aggressive on amassing land for agrarian companies. On the one hand, they are now much less concerned that the influx of landless peasants to the city would burden urban resources. As noted earlier, a large urban population can boost the housing market and increase local revenue. On the other hand, the expansion of agribusiness companies, along with urban-industrial companies that ventured into agriculture, can also contribute to local revenue. As a result, local governments are willing to provide strong support for agribusiness or urban-industrial companies to take land for peasants. They help these companies build production bases, provide bank loans, and force rural households to transfer land rights to these companies. The aforementioned case in Kaifeng prefecture of Henan province attested that the local government was deeply involved in facilitating land deals between agrarian company and rural households. During the visit to the company, one of the authors participated in a meeting in which a senior local sat side by side with company managers to work out a plan on how to take 2,000 mu of farmland from rural households.

A main concern for the central government is how rural residents can find alternative livelihood after they transfer away land rights. The solution is *hukou* reform and rapid urbanization. There have already been more than 150 million migrant workers who found urban employment. However, many of these migrant workers earn low income and hold precarious jobs. Thus using *hukou* reforms to incorporate them into the urban social security system becomes a necessary measure if the government wants to take away land rights. As early as 2004, the central government called to reform the *hukou* system in the No. 1 document to facilitate peasants and migrant workers to settle down in the city. The last three No.1 documents also stressed the importance of the *hukou* reform as a way to settle hundreds of millions of peasants and migrant workers in the city.

More and more local governments started to see *hukou* reform as an effective way to scale up agriculture. For example, Mr. Ma Qizheng, the Chongqing vice mayor, remarked in 2010 that Chongqing's *hukou* reform, by drawing peasants to the city and turning them into urban residents, aimed to pave the way for urban capital to enter the countryside.[15] An official in Henan province argued that the *hukou* reform could facilitate land transfer in the countryside as it would turn peasants into urban residents (Li 2011). The question is whether rural residents are willing to give up land rights when offered urban *hukou*.

5 The resistance of rural residents

Local governments, and sometimes the central government as well, have boasted *hukou* reform as a great thing for rural residents: the reforms offer citizen rights (*guomin daiyu* in Chinese) to rural residents, promote rural-urban equality, provide peasants with non-agricultural economic opportunities, protect their rights in the city, and help them fulfill the dream of becoming an urbanite. However, most rural residents have not rushed to change their *hukou* status.

[14] Xinhua Net. 2008. "Chengdu 'jintudi,' nongmin zuoshou zujin fanpin dang gongren linggongzi (Chengdu's gold land: peasants collect rent or are hired as workers with wages)." Sichuan channel of Xinhua Net, November 2, 2008. Also see http://www.sc.xinhuanet.com/content/2008-11/02/content_14805154.htm

[15] Retrieved from http://news.cqu.edu.cn/news/article/article_26915.html (access date: August 10, 2014).

In 2010, the Chongqing government launched a *hukou* reform that aimed to get 10 million rural residents to convert their *hukou* to urban *hukou*. Many people, however, were reluctant to give up rural *hukou*, and officials, anxious to meet program targets, began carrying out mass conversions by administrative and coercive means. After facing substantial resistance, city leaders were forced to adjust timetables and increase compensation (An 2010; Deng 2011; Gomi 2013; Melander and Pelikanova 2013). What happened in Chongqing was not an exception. The push to convert rural residents' *hukou* to urban has been met almost everywhere. Even rural migrants living in urban areas—that is, among those most likely to want official urban resident status—are unwilling to give up rural *hukou*. According to a national survey of migrant workers conducted in 2011, only 26 percent of respondents would change their *hukou* if given a chance.[16] Peasants and rural migrants are not only groups who do not want to give up rural *hukou*. An increasing proportion of newly admitted college students from rural areas do not want to give up their rural *hukou*, either. Ironically, attending college was one of the best chances for rural youngsters to get rid of rural *hukou* and achieve upward mobility in the 1980s and 1990s. According to a survey conducted by the Tsinghua University in 2013, as for the new generation of college students, who were born in the 1990s, those who did not give up rural *hukou* accounted for 51.9 percent (Liang 2014).

The phenomenon that rural resident did not want to give up rural *hukou* is also not new. The 1997/2001 *hukou* reforms, which opened the registration of *hukou* in small cities, also failed to convince a significant number of rural residents to change *hukou* status, as seen from Figure 1. Ningbo, a large prefecture in Zhejiang province, was a pioneer in the new round of *hukou* reforms (also see Table 1). The prefecture took the initiative to offer urban *hukou* to rural residents. However, more than 90 percent of local rural residents did not want to change their rural *hukou* to urban. Ningbo was a large municipal area in the economically developed coastal region, and the nonchalant reaction of rural residents to the *hukou* reform caught many observers off guard (He 2001).

The main reason why rural residents do not want to give up rural *hukou* is that it is associated with land rights. As noted earlier, the land reform distributed land based on *hukou* status. One would be given land only if he or she held an agricultural *hukou*. In other words, one could demand a piece of land only when holding an agricultural *hukou*. Such a close relationship between agricultural *hukou* and land had prevented the effective implementation of the policies that tried to remove a large rural population and speed up urbanization. Thus the governments, at both central and local levels, have been trying to delink agricultural *hukou* and land. For example, after the 1997 *hukou* reform failed to draw a sufficient number of rural residents to apply for *hukou* in small cities, the 2001 reform allowed them to keep their land even after they changed to urban *hukou*. In the new round of *hukou* reforms, local governments eliminated the distinction between agricultural and non-agricultural *hukou*. The stated goal of the reform was to remove social and policy discrimination against agricultural *hukou* holders, but it also served to separate rural *hukou* from land rights. The current policy is that rural residents who register in cities at the county level and below can still retain their land, but those who become *hukou*-holders in prefecture-level cities must give up their land.

However, the efforts to separate rural *hukou* and land rights so far have not achieved much success, and rural residents continue to steadfastly hold on to rural *hukou*. This might be due to several reasons. First, one's *hukou* status in the countryside is more than an indicator of residence or state-sanctioned rights and obligations, and it also defines a person's membership (socially defined) in the village. After the rural reform dismantled the collective system in the early 1980s, rural *hukou* became the only indicator of one's membership in a village. That is to say, if one unregisters *hukou* in a village, he or she would be no longer accepted as a member. During a field visit to a village in Inner Mongolia

[16] Melander and Pelikanova 2013. The survey was conducted by the National Population and Family Planning Commission of China.

in December 2010, one of the authors found that a very successful businessman still kept his *hukou* in the village, even though his whole family settled down in a large city in Liaoning province and he had not returned to the village for at least 10 years. When asked why, the party secretary of the village explained to us that the businessman was still regarded as a member of the village (*cunliren* in Chinese), but he would no longer be if he unregistered his *hukou*.

Another reason why rural residents do not give rural *hukou* is that the benefits of holding an urban *hukou* have diminished considerably since the late 1990s, particularly in small and medium-sized cities (Zhan 2011). In addition, most rural residents do not trust local governments and fear that their land rights would be taken away anyway after they give up *hukou*, particularly at a time when local governments are so eager to seize land. For example, during a field visit to a county in Hunan in 2013, we found that there was little trust between rural residents and local officials. According to our interviewees, the central policy was one thing, but whether the local government would implement the policy was another.

Facing peasant resistance to give up rural *hukou* and land rights, many local governments started to force peasants to change their *hukou* status. This has gone in three ways. The first way is that the local government, in the name of urban planning, designates a rural area for urbanization and change the *hukou* of all rural residents in the area to urban *hukou*. This is the most common way to make *hukou* change and has caused tens of millions of peasants to lose rural *hukou* and land rights. The practice could be dated back to the 1990s, when many local governments rushed to construct industrial zones to attract foreign and urban industrial capital. Most rural residents in these industrial zones lost their land and were forced to register as urban residents. In the 2000s, city governments took rural land to develop real estate and turned villages into urban neighborhoods. Studies have shown that this practice had led more than 100 million peasants to lost their land and change to urban *hukou* (Zhang 2015). In Changzhou, which is located in southern Jiangsu province, one of the authors found that more than 40 percent of villages in a county disappeared and turned into urban neighborhoods in the last 10 years, and peasants in these villages have been given urban *hukou*.

The second way is to force peasants to exchange their land for an urban *hukou*. An example was Chongqing's *hukou* reform in 2010. The plan was to get 10 million rural residents to convert rural *hukou* to urban *hukou*. As noted earlier, it met resistance from peasants, and the local governments had to force peasants to do so. In the same year, Guangdong province and Shannxi province were also started to use this practice to take land from peasants. These *hukou* reforms prompted the central government to issue a *hukou* document in 2011 to stop the land-*hukou* swap. After that, the central government has reiterated that local governments must respect peasants' will in land transfer and *hukou* change.

The third is a relatively subtle way to force peasants to change to urban *hukou*, but it has become increasingly popular. That is, the local government consolidates fragmented agricultural lands and leases them to agribusiness companies. In the meantime, the government demolishes village houses and moves peasants to apartment buildings in nearby cities. At first, peasants' *hukou* will not be changed, but they cannot cultivate their lands directly and must work as agricultural laborers or as migrant workers in the city. In addition, peasants will receive benefits generated from their lands. Overtime, however, peasants would become detached from the land and the local government would convince them that it is in their best interest to give up land rights and change to urban *hukou*. The aforementioned Golden Land Program in Chengdu (the capital of Sichuan province), which started in 2005, was such an example. The program also reflected the tripartite alliance between the city government, agrarian capital and urban-industrial capital. By consolidating and leasing out agricultural lands, the local government gave agribusiness companies the absolute control of agricultural production. At the same time, the government acquired extra lands to develop urban real estate by removing villages and concentrating peasants in apartment buildings. Unlike the Chongqing *hukou*

reform, the Golden Land program has not caused strong reaction from the central government because it was carried out in the name of agricultural integration and rural-urban integration. It also reduced the resistance from peasants to some extent by offering them a certain amount of recurring compensations based on land rights. The case in Henan province would most likely follow this way, based on the government-company meeting one of the authors attended.

6 Conclusion

The *hukou* system has long been considered a unique phenomenon in China, and scholars usually associated it with China's political and legal systems. This paper has demonstrated, however, that recent *hukou* reforms have been closely associated with the expansion of agrarian capitalism and the interests of urban-industrial capital. Based on an examination of the new round of *hukou* reforms and the relations between *hukou* status and land rights in the countryside, this paper could draw three tentative conclusions.

First, the expansion of agrarian capitalism has gone hand in hand with *hukou* reforms in the last two decades. In the late 1990s, the Chinese state opened *hukou* registration in small cities in an effort to settle a large rural population in the city, which suited the interest of nascent agrarian capital. As agrarian capital has growing increasingly powerful in the last decade, it started to push for *hukou* reforms so that it could increase the control of agricultural production by seizing or leasing lands in the long term from peasants.

Second, as city government and urban-industrial capital also sought to take rural land and increase urban population in the recent decade, a tripartite alliance formed between them and agrarian capital, which together initiated and pushed forward the new round *hukou* reforms. These reforms not only opened urban *hukou* in small cities but also medium-sized and large cities for rural residents. However, the benefits of holding an urban *hukou* have greatly diminished as compared with the pre-reform and early reform periods.

Finally, contrary to the popular belief that peasants would prefer urban to rural *hukou*, most rural residents and migrant workers do not want to give up their rural *hukou* and continue holding on to their land rights in the countryside. The resistance to *hukou* reforms motivated local governments to take rural lands by force. The future development of agrarian capitalism in China thus depends on the outcome of struggles between the tripartite alliance and peasants.

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