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### Status and Hierarchy: A Framework for Understanding Stratification and Inequality in Today's China

Qian Forrest ZHANG

Singapore Management University, forrestzhang@smu.edu.sg

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## **Status and Hierarchy:**

### **A Framework for Understanding Stratification and Inequality in Today's China\***

Qian Forrest Zhang  
Assistant Professor of Sociology  
School of Social Sciences  
Singapore Management University  
Email: [forrestzhang@smu.edu.sg](mailto:forrestzhang@smu.edu.sg)

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### *Abstract*

Social hierarchies and inequality in a society are shaped by the modes of production that extract and transfer surplus among social groups. In China under socialism, the redistributive economy established a powerful tributary mode of production (TMP) that extracted surplus from rural areas to cities and from commoner producers to cadre-officials. This TMP created two fundamental hierarchies in socialist China: the urban-rural divide and the official-commoner divide, both of which were based on politically defined statuses.

China's post-socialist transition has led to both a resurgence of the traditional petty-commodity mode of production (PCMP) and the rise of a novel capitalist mode of production (CMP). The PCMP and CMP have created new social hierarchies that are based on people's economic positions in markets and are making today's Chinese society increasingly stratified by a hierarchy of economically determined classes.

In both rural and urban areas, a new economic elite has emerged, who accumulated their wealth from entrepreneurial activities under the CMP. The rank of petty-commodity producers has also increased sharply through urban self-employment and household-based commercial productions in rural areas. The nature of the urban-rural divide is also changing. Although the politically defined urban and rural statuses are still in effect, economic positions in the labor and housing markets are becoming more important in determining rural migrants' life chances in cities and in shaping inequality between urban and rural areas.

*Key words:* mode of production, stratification, inequality, class, market transition, China

## INTRODUCTION

A sense of hierarchy is deeply entrenched in the Chinese culture and in ordinary people's understanding and construction of social relations (social space). Related with this, some form of hierarchical structure is also manifested in almost all social relations. At its core, traditional China's *li* (rituals) is mainly about defining hierarchies and relationships between different positions in these hierarchical structures. Thus, one would find in *Analects*, the Confucianism canon, repeated and detailed documentation of how Confucius himself followed these rituals and acted out the social hierarchies through interacting in different ways with different people and objects.

The renowned Chinese sociologist, Fei Xiaotong, provided probably the most vivid and most widely cited conceptualization of how, in traditional Chinese society, a person's social relationships are hierarchically structured (Fei 1992). On a personal level, according to Fei, each person's relationship with others is based on a *differential mode of association* that centers on the self and then extends outwards, first to parents, spouse and siblings, and then to the extended family, to the lineage group, and finally to unrelated members of the society, like a series of concentric circles, hierarchically placed in increasing relational distances from the self at the center. For people inhabiting in such a hierarchically organized relational world, everything is relative, whether it is the rule of an economic exchange, the form of an interaction, or the morality of a conduct; it all depends on where the other party is located in one's differential order of relationships.

This culturally rooted differential mode of association may still provide the mental framework for many Chinese today to relate and respond to the outside social world. At least, the kind of self-centered behaviors – pursuing family interest at the public's cost and pursuing self

interest at family's cost – which Fei used to characterize social life in traditional villages, can still be easily witnessed today. The rampant use of *guanxi* – personal relations – in facilitating public or official transactions – by turning an impersonal transaction into a personal obligation that registers in one's hierarchical structure of social relations – also attests to it.

Aside from this more subjectively constructed relational hierarchy, people, however, also inhabit in more objectively constructed social hierarchies that powerfully shape their lives and, through which, their relationships with others. Such structural hierarchies – the unequal distribution of valuable assets to different social positions and the different life chances these positions present to their incumbents – form an external social fact that, regardless of people's awareness of it, exerts powerful influence on their lives.

A society is differentiated and stratified in many ways; thus, hierarchies can be formed and found along multiple dimensions: political power, social honor, economic wealth, cultural knowledge, and even skin color. 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 themselves 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), “interaction between man and his environment, which results in a continuous supply of want-satisfying material means (p. 248),” which, after all, is the main activity that has preoccupied most people's lives throughout human history. From this perspective, the most important social hierarchy is then formed on the basis of the dominant *mode of production* (MOP) in an economy – the system of creating, extracting, transferring and

distributing economic surplus among different social groups. While 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 – is not necessarily economic, but can be political power, social status or even religious quality.

This chapter will discuss the basic structure of social hierarchies in Chinese society in three historical periods. To help understand the formation of these hierarchies, each of the following sections starts with a discussion on the dominant modes of production in that historical period, which, through the extraction and transfer of surplus, determine how social groups are placed into hierarchical positions, facing unequal life chances.

## HIERARCHIES IN TRADITIONAL CHINESE SOCIETY

Hill Gates (1996) contends that for the past one thousand 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, corvee, 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 political-economic systems of organizing production and distributing surplus placed Chinese people within their reach into a two-tiered class structure – a hierarchy of unequal living conditions and life chances. 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. Within the two great tributary classes of officials and commoners – which, to use Max Weber’s terminology, should be more strictly called “status groups” – second-tier hierarchies still existed. To quote Gates’ memorable description again:

“Hereditary miners were easily distinguishable from academics of the ‘Forest of Pencils,’ county magistrates, and the magistrates’ bullying runners, though all were state servants; rich pawnshop owners were different in important ways from owner-operator farmers or artisans and from hired laborers, though all were commoners (p. 21).”

Members of the officialdom could be stratified by hereditary title, administrative rank, factional affiliation, and technical specialization. But even those who served the state in commoner-like manual positions nevertheless shared one thing in common with magistrates of the imperial court, which set them apart from the commoners: their labor was spent not in direct production of goods or services, but rather to administer, facilitate, or ideologically justify the extraction of surpluses from direct producers.

The status difference was the most pronounced between commoners and the scholar-officials – the ruling elite among the officialdom. Mobility into the officialdom in imperial China was achieved through advancement in the competitive examination system, not through heredity. Those who passed the examinations gained admission into officialdom and became eligible for appointment into state administrative posts. Gaining the scholar-official status not only allowed

one to receive transfer of extracted surplus in the form of salaries and perquisites, it also exempted one from conscription, corporal punishment and corvee. Scholar-officials were also entitled to use certain ceremonial rituals (for marriage, funeral and sacrifice) that were prohibited for commoners. The status difference between commoners and scholar-officials was manifested physically: only those who passed certain rank of examination were allowed to wear long robes.

This status hierarchy was primarily created non-economically: extraction by the state through political and military means – the defining feature of the TMP. The mechanism of such non-economic extraction and the status hierarchy it created is well illustrated in one area: when scholar-officials travelled across imperial territories, they were housed at an extensive network of inns and residences, where both material consumption and services were provided by local commoners who were impressed – by the threat of corporal punishment – into such services.

As we shall see in following sections, both the TMP and the status divide it creates between officials and commoners are long-lasting features of the Chinese society, even to the present day.

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 labor to produce commodities to be sold on markets for profit (Gates 1996). Although wage labor existed, it was mainly used to compensate for family labor deficit in these patricorporations.

Within these patricorporations, surpluses were still 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 thus translated the relational hierarchy that existed



among family members, which was culturally defined and politically enforced, into a socioeconomic hierarchy.

Apart from the hierarchy that existed within the patricorporations, the PCMP also created socioeconomic hierarchies within the commoner class. Differential initial endowments and market competition placed different producers into three main class positions: the petty capitalists who owned capital and hired labor, owner-operators who relied on their own labor, capital or land in secure tenancy, and laborers who depended on the selling of labor.

The domination of the PCMP by the TMP – and thus, the subjection of properties and surpluses in PCMP to the extraction by state power – limited the owning of properties and accumulation of wealth within household or lineage boundaries. Any attempts to go beyond the lineage boundary to form nonkin-based enterprises were usually thwarted by a host of counter forces: the law of equal inheritance, officials' hostility toward such enterprises and the ensuing exactions, and the lack of legal institutions to deal with disputes involving nonkin parties.

Facing these limitations, petty-commodity producers, especially those who accumulated resources beyond their capacity to expand their households or lineages, sought to convert their wealth into officeholding and cross the commoner-official divide by investing heavily in their sons' education, or more directly, purchasing academic titles. Only by gaining, first, academic credentials and then, a membership in the officialdom, these local economic elites in imperial China– often referred to as the landed gentry – were then able to safeguard the private wealth they accumulated from the PCMP with public power gained in the TMP (Ho 1964).

By taking public roles and acting as local agents of the state who helped the latter to extract surplus, these local elites shifted from being victims of tributary extraction to beneficiaries and thus, gained the opportunity to use state power to further enrich themselves.

This mutually beneficial marriage between economic wealth and political power, rooted in the subordination of the PCMP under the TMP, continues to be a profitable strategy even in today's China.

## HIERARCHIES IN SOCIALIST CHINA

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

Upon its founding, in the domestic arena, the new socialist state had two main missions: creating an egalitarian society on the basis of public ownership of means of production and industrializing a predominantly agrarian society with a near-collapse economy after decades of war. Both policy goals required a thorough transformation of the existing social hierarchies in Chinese society. On the one hand, riding on the support and sacrifice of poor peasants and urban workers, the new regime needed to deliver its promises about raising the status of peasants and workers, chief among them: land to the tillers. This entailed a massive transformation of the ownership of property and distribution of wealth in the country, which could only be implemented by a powerful state that could suppress any resistance from the propertied classes.

On the other, the regime's plan of state-led rapid industrialization required a transformation of the mode of production to allow the state to rapidly accumulate the needed capital for industrial investment. In an agrarian economy with little industrial foundation, the capital accumulation had to come from the agricultural sector and rural producers. This required the socialist state to ratchet up its tributary system to transfer surplus from rural producers into the central state's coffer and then invested in both building urban industries as well as creating new urban administrative and working classes.

Changes to the existing modes of production were soon carried out to serve these policy goals. First, the state-managed TMP that helped to extract surplus into the hands of the state was strengthened to an unprecedented level. Second, to further eliminate competition with the state and concentrate resources into state's control, the market-based PCMP was suppressed by the state 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 started to take shape on the basis of the transformed modes of production.

### *Socialist Transformations of Chinese Society*

The socialist state embarked on an ambitious project of social transformation, aimed to re-engineer 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 elite, both

of which enabled the state to extend the reach and strength of its tributary extraction. The state quickly put this TMP-on-steroid to work: extract rural surplus to serve its ambitious agenda of state-led industrialization.

The transformation started in rural areas with the land reform in early 1950s, which seized land and properties from the landlord and rich peasant classes and redistributed them – largely following egalitarian principles – to all rural households. Giving private ownership of land and property to peasant households provided a foundation for the continued operation of PCMP and, not surprisingly, soon led to the reemergence of inequality among rural households. At the same time, the state’s industrialization planned also required more control over agricultural production and harvest than private land ownership and individually organized production could provide (Shue 1980). In late 1950s, the state started to push for collectivization in rural areas, 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 only 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. The landed gentry, the political and economic elite in pre-socialist China, were eliminated as a class – in some extreme cases, not only socioeconomically, but also 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. As the communist party drew support and most of its low-level cadres from the poor peasant class, in establishing new

grassroots level governments in the countryside, the revolutionary state entrusted local power – and operation of surplus extraction – to political activists who rose from among poor peasants. Thus, as a class, poor 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 also swept Chinese cities. Private properties of urban capitalists were seized 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) into the central-planned redistribution of resources for investment and consumption.

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 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 labor 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 also emerged in the urban employment structure (Bian 1994). SOE workers became a new labor 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 more 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.

Within the state sector, yet another tier of hierarchy existed, as each work unit was assigned an administrative rank and, with it, a differential level of operational autonomy and command over resources (Walder 1992). Within the same work unit, a socioeconomic also existed on the basis of the politically determined administrative hierarchy, as people assigned to higher ranks were also given better compensations. Thus, similar to rural areas, the political hierarchy became the primary dimension of social inequality: the higher one's administrative position and the more politically power (in terms of both property rights and administrative rank) one's employer was, the more redistributive power one had and better benefits one received.

### *The Urban-Rural Divide and Official-Commoner Divide*

By suppressing the PCMP which had been traditionally organized on the basis of patriarchal kinship organizations, the socialist transformation greatly reduced the hierarchy within the family, especially in urban areas. Family was no longer the unit of production and many family functions were shifted to non-familial institutions, managed by the state, in the

urban work units. Ideologically, the state also attacked the traditional patriarchal culture and hierarchy. New legislations outlawed and eliminated many traditional family practices that subjected women to patriarchal domination.

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

Fundamentally, the rural-urban divide was created by state's extraction of rural surplus, which was then invested in urban industries and social services. To maintain a loyal and productive urban working class, and also to keep urban consumption at a low level, the state provided social services to state workers in cities through the work unit system. In rural areas, many social services were also provided, such as basic healthcare and immunization, literacy education, public projects such as irrigation and road building, and as a result, greatly improved all kinds of human development measures. But, because of the inherent urban bias in the state-led industrialization model (i.e., transfer of rural surplus into urban investment), gaps in living standards between rural and urban areas persisted.

The socioeconomic inequalities between rural and urban areas, although created by the state-led industrialization model, had to be maintained by a politically defined status hierarchy that the state created between 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 have threatened to both reduce surplus created in the agricultural sector and divert industrial investment into urban consumption. To prevent this and to keep rural producers staying 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 classes of citizens.

Rural residents, without urban registration, were not only denied of urban employment opportunities, but also excluded from the rationed distribution of many basic consumption items, ranging from housing to salt, 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. 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 long existed in the Chinese society: that between the officialdom, who now were even more empowered with a strong socialist state and the central-planning institutions that organized the redistributive economic system, and the 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 commonality 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 the officialdom also penetrated and manifested themselves in all walks of life, far beyond just government bureaucracies or state-owned enterprises. In non-economic organizations, such as state-run universities, hospitals or theatre companies, the leaders also had a rank within the same administrative hierarchy that



included all government officials, SOE managers, and military officers. All these ranks were directly comparable, thus, allowing one to be transferred from a position in an army unit to a university post of the same rank. 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, while 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 didn't 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 his/her status from a commoner to a cadre, a member of the officialdom. Almost as a continuation of the imperial examination system that selected commoners into the scholar-official class, university students were automatically given cadre status and job allocation in public work units upon graduation.

### *Social Mobility under Socialism*

Despite the profound social changes implemented by the new socialist regime to create a more egalitarian society, the "new society" remained highly hierarchical. Furthermore, with the strengthening of the TMP under the socialist central-planned economy, hierarchies that had long existed in traditional Chinese society – those between rural and urban and between officials and commoners – became even more intensified, their boundaries now carefully guarded by state institutions ranging from household registration to public work units.

Mobility, however, still existed in these hierarchies, albeit managed by the state. The state-making project of the new regime, which involved steady expansions of the political, administrative and military apparatuses of the state, had to draw manpower from the classes that formed its political bases – small peasants and tenant farmers in rural areas and the working class in cities. As a result, a large number of people from rural origin and from peasant-and-worker family backgrounds were brought into cities and given jobs in state institutions and enterprises (Walder 1984). Through political mobility, based on both job performance and political loyalty, some even acquired Party membership and rose into the officialdom.

The higher-education system, which was suspended for a six-year hiatus during the height of the Cultural Revolution, provided another channel of upward mobility through the hierarchies. Although it's debated whether the higher education system under socialist China merely helped to reproduce social hierarchies by giving children from cities and from politically elite classes better chance of advancing, there is evidence showing that at least in some periods, the preferential treatment given to children from peasant and worker families increased their chances of enrolling in universities and moving up the social ladder (Deng and Treiman 1997).

Within cities, as labor market was replaced with planned job allocation by the state, mobility between different work sectors and different work units was tightly controlled by the state and highly limited. Aside from employer-initiated re-assignment of jobs, self-motivated job changes had been rare well into the 1980s, when reform of the state-dominated urban employment system just started (Davis 1992). To change a job, one almost always had to draw on personal connections to pull strings at not only current and future employers, but also the local personnel bureau to make it happen (Bian 1997).

The first thirty years of socialist China was also notable for the repeated occurrences of policy-induced downward mobility, especially for the urban middle class (Davis 1992). During the tumultuous years of the Cultural Revolution, for example, millions of urban youth – graduates from urban secondary and high schools – were sent down to the countryside, sometimes in the remote frontier areas, to be “re-educated by the laboring masses” (Bernstein 1978). Most of the sent-down youth eventually returned to cities when the policy was abandoned in late 1970s; but some stayed, and more importantly, everyone’s life – the opportunity to obtain education, advance careers and form families – was irreparably changed by this experience (Zhou and Hou 1999).

#### 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 what has often been called 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.

#### *The Resurgence of the PCMP*

Self-employment activities were again allowed in both cities and countryside at the beginning of the Reform, but limited to hiring no more than seven employees (Sabin 1994). In

cities, the return of sent-down youths from the countryside and the entry into labor force of 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 as a way to accommodate the growing labor force's demand for jobs. Initially, self-employment mainly attracted disadvantaged groups – people who could not get jobs in the state sector, which were still the most coveted jobs.

These new petty-commodity producers were different from their historical predecessors in one key aspect: their petty-commodity production was usually an individual endeavor and did not family or kinship relations. The traditional patricorporations did not come back with this resuscitation of the PCMP because, on the one hand, 30 years of socialism had already broken up urban families as the unit of production and individualized labor, and on the other, state jobs were still far more family-friendly. In fact, even in later years of the Reform, when self-employment activities in the growing market economies were becoming profitable and respectable, many families still tried to hedge their risks by keeping some members in the state sector to gain access to subsidized social services that were still tied to state work units.

The growth of self-employment in cities increased sharply after 1992, when speed of the reform was accelerated and greater political support was given to market economy and private entrepreneurial activities. Another process also contributed to the rise in self-employment: the state sector reform that started to downsize SOEs and lay off redundant workers in mid- to late-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 labor to rely on and had much fewer chances of getting into prosperity.

In rural areas, however, the resurgence of the PCMP took a markedly different path. The rural reform, which started in a bottom-up fashion, only later sanctioned and promoted by the central government, 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 a sea of smallholding, household producers.

Although many these small farming households remained subsistence producers – producing for self-consumption – more and more were becoming commodity producers who produce both agricultural and non-agricultural goods for the markets. Rural households were still within the reach of the TMP, subjected to the state's extraction of tribute in the form of obligatory grain quotas to be delivered to the state. However, the floodgate was opened to allow them to engage in market-oriented petty commodity production, whether diversifying into non-farm employment or selling agricultural surplus on 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 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 labor from farming to non-farming jobs.

As a result, it created a new dimension in rural social stratification: 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.

### *The Emergence of the CMP*

A novel development of the post-socialist era, especially from 1990s onwards, is the emergence and rapid rise of a genuine capitalist mode of production (CMP) in the economy. The CMP differs from the PCMP that had a long tradition in Chinese economy in one crucial aspect: its reliance on commoditized labor. This further leads to three more differences. First, since commoditized labor is hired as employees, family and kinship relations no longer mediate the interaction among involved parties. Labor is treated and consumed as a commodity and stripped of the social relationships and identities attached to its owners – to the extent possible. Second, surplus extraction is based on ownership and control over means of production, not on gender and generational hierarchies within the family. It thus creates an occupational hierarchy of capitalists, managerial and professional staff, and proletarianized workers, which is independent of kinship relations. Finally, units of production in the CMP, in the form of modern companies, can potentially – and often do – grow into larger sizes than those in the PCMP – the patricorporations.

A crucial landmark in the rise of the CMP in 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 fueled 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 (Tsui, Bian, and Cheng 2006). With this rapid rise of the CMP, the transfer of surplus from commoditized laborers to capital owners emerges as a new and increasingly powerful process in creating social inequality and forming hierarchies.

#### *The Retreat and the Persistence of the TMP*

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. Although property reform in the form of privatization of public firms did not start on scale until the late 1990s, the dismantling of the central planning system started at the outset of the urban reform and proceeded gradually. After 1992, replacing the redistributive economy with a socialist market economy became a main policy goal of the state. 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 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 TMP remains

a powerful force in the new economic system and in shaping social hierarchies. These large-scale SOEs gained strength not only from 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 concentrated in the so-called “strategic sectors” of the national economy – where domestic private firms were prohibited from entering and only a selected few foreign firms were given access to: banking and finance, telecommunication, oil and petrochemical, energy and resources, and transportation and airlines.

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 illegitimate means. One blatant example involves the two state-owned oil and petrochemical giants, SinoPec and Petro China, which never missed a chance to raise prices of petroleum products when global oil price rose, but rarely cut prices down after global oil price dropped.

The corporate reform implemented in these SOEs and their participation in capital, labor and other markets, however, transformed them from the 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 quota of production, the intensity of the TMP nevertheless expanded for a period of time. In the 1990s, the fiscal reform and the privatization and decline of TVEs severely reduced



local governments' revenue sources, local governments had no where 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 governments created a myriad of new types of taxes, levies, charges, and corvee labor 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 Jintao 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 also 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 corvee labor that local governments can 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 political power of the state, in turning private properties into state properties, in controlling farmers' harvest, in disciplining labor, and in restricting rural residents' exit from state extraction. The hierarchies it created in the society, although had clear social and economic consequences, were primarily based on politically defined statuses. The society, thus, was a politically stratified society, or, in sociological terms, status-stratified

society. The most important hierarchies in society were those based on different politically defined statuses: urban vs. rural registration and officials vs. commoners.

In the post-socialist China, both the PCMP and CMP experienced rapid rise. In these two modes of production, the extraction of surplus is based on economic ownership rather than political power. Post-socialism: Even the TMP, which remains powerful, now also mixes with and draws on the CMP, in the hybrid form of state monopoly capital, in its operation. As a result, there is no single dominant MOP; instead, both the economically based PCMP and CMP and the politically based TMP coexist in a hybrid formation.

Correspondingly, the hierarchical structure of the society also changes, from comprising of primarily politically based hierarchies to a mixture of political and economic hierarchies, with the latter become 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 had difficulties in getting good jobs or permanently settle down; but these difficulties they encounter in cities – which are also faced by urban migrants – are increasingly the result of their disadvantaged economic positions in the CMP and PCMP, especially in labor and housing markets, and less the result of a politically defined rural status.

In recent years, more policies helping the integration of rural migrants into cities are implemented across the country, albeit at different paces. For example, in some cities, children of rural migrants now have equal access as urban children to schools. Some cities even grant people who buy housing there urban residential status – that is, if they can afford it economically. Thus, when rural migrants improve their economic positions – by finding good-paying and stable jobs, for example – their ability to settle in cities and integrate into the urban life also increases. In the city of Xiamen, located on the southeastern coast, for example, migrants – most of rural origins – constitute about half of the city’s taxi drivers. This relatively stable job has allowed many to relocate their entire families from distant provinces like Henan, send their children to local schools, and even buy private housing in Xiamen.

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 labor, 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 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 labor, 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 did all over China, but particularly in coastal regions, 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 status that used to define rural and urban statuses. One can find such examples in what have been referred to as “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 urban landlords and allow them to live in great material comfort on rents and to 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 labor and housing markets. Their situation has given rise to a new social phenomenon: the “ants”, or, *yizu*: people who, like ants, struggle in

low-paying, unstable jobs and live in cramped quarters – oftentimes 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.

Many commentators have noted that rural migrants to cities often have to go back to their home villages for social reproduction and have used this as evidence to show how the politically defined rural status still limits migrants’ chances in cities. However, what has been less noticed is that many young urban residents also have to delay or even forego their social reproduction simply because they don’t own a property to house the to-be-formed new family. The reason for this has little to do with the political status, but more to do with one’s economic condition.

To sum up, 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 laborers to urban owners of capital through the sales and use of commoditized labor; 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 MNCs 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 demographic structure of the family. Since the 1980s, however, when, first, rural industrialization and then rural-to-urban migration unleashed the massive transfer of labor 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 connection are still doing better; but most cadre families get higher income because they were 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. Most studies have found that, up until mid-1990s, income from farming is highly equitable among rural households in China (Riskin, Zhao, and Li 2001). This is mainly because land was distributed within a village in largely egalitarian manners. Another reason is that farming in general was not very profitable and could not generate much wealth even for families who have more labor and land engaged in farming. In fact, in mid- to late-1990s, differential returns from off-farm work and farming became so disparate that abandoning of farm land became a widespread problem in some parts of China as farmers simply left for jobs in cities. But profound changes have taken place in Chinese agriculture in recent years. First, the exodus of rural labor from agriculture and the ensuing increase in available farm land has spurred a

spontaneous growth of rural land market that enabled the circulation of farmland among producers and allowed larger-scale farming to emerge. Second, the rising urban demand for non-grain foods also made commercial farming of high-value foods more profitable. As a result, new actors – in particular, entrepreneurial farmers and agribusiness companies – have entered agriculture and started to organize agricultural production on a large scale with rented land and hired labor (Zhang and Donaldson 2008). A new hierarchy – one that is determined in this emerging capitalist mode of production on the basis of one’s economic position – is transforming what used to be a flattened and homogeneous peasantry 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 of government jobs, making it the most competitive examination in the country and showing the huge appeal that a place in the officialdom still has to the young generations.

Those who are already in the officialdom 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 that enjoy monopoly positions, the recruitment of new employees has become an intensely guarded process that only opens to insiders: children of the officialdom or those who can afford to pay for access. Enriched by the privileges granted by state institutions and protected by the rampant abuse of official power, some children of the officialdom have so antagonized the public with their reckless behaviors and condescending attitudes that they have been labeled the “officials’ second generation”, or, *guan erdai*, a group that is equally widely loathed as the *fu erdai*.

## CONCLUSION

Many aspects of the Chinese society are still in a constant flux; but the set of hierarchies that are taking roots now in the social structure, as described above, are likely to be long-lasting features of the Chinese society for years to come. Fundamental changes have taken place in areas ranging from property rights, 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 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 to produce independently in a commoditized economy. 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. Experiences in developed countries and in the more developed regions of China also show that small household commodity producers can have an important role to play in even a capitalist agriculture.

The number of large SOEs probably will decline slightly, as the central government announced plans to further divest itself from 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' favor and could suppress the growth of the CMP (Huang 2008).

Just like the hybrid economy, the social structure of the 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 market economy has already given rise to a growing class of economic elite. Some of them may not enjoy as much social prestige as officials and may even be harassed and extorted by corrupt officials, their economic wealth and the freedom they have to dispose it, nevertheless, are still the envy of many, even members of the officialdom.

Another long-lasting hierarchy in Chinese society, the rural-urban divide, is also experiencing a gradual shift from a politically defined status hierarchy to an economically based class hierarchy. The urban-rural divide is increasingly sustained through the unequal division of labor and exchange relationships under a capitalist economy. The declining significance of political status and rising significance of economic condition 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; in the consumption process, they also face rising reproduction costs driven by the pursuit of monopoly rents by both big capital and the state. Proletarianized urban workers who are exposed to the brute forces of markets are in even worse conditions. 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 little material comforts and is dwarfed by the economic disadvantages they confront in their low positions in the new class hierarchy.

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