

The Autumn Harvest: Peasants and Markets in Post-Collective Rural China*

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Abstract

For the peasants in rural China, the harvest season is the occasion when several different worlds – the business world of large companies, the entrepreneurial world of middlemen, local elites and peasant households – are compressed into the same social space, thereby inducing intensive economic and social interactions and crystallizing social relations among villagers, local elites and markets. Based on ethnographic research on the autumn harvest in a township in northern China, this study sheds light on distinctive modes of market transactions across produces, and diverse interactions between markets and local institutions involving different co-ordination mechanisms, rhythms and social relationships. A more nuanced image of market transactions emerges from these observations, calling for a more refined conceptualization of markets and further research on their implications for institutional changes.

Keywords: peasants; rural market; capital; market chain; rural China

Setting the Stage: Autumn Harvest in FS Township

On the eve of the autumn harvest season, FS township, an agricultural town in northern China, is at its best: the bumpy terrain patched by crisscross ridges and gullies is now fully covered with flourishing fruit trees, corn stalks and beans; vine rows stretch along the hilly landscape into elegant rhythms; and the rough and dry earth is dressed up in colourful decorations – green apples, red cherries, purple grapes and golden corn. As a busy year of farming winds down towards harvest and with few peasants in the fields, the vast land gives a sense of abundance and tranquillity.

But the villagers are on edge. In nearby Li village, where most households grow grapes, there is a sense of anxiety and suspense. Villagers congregate in small groups on the main street, playing cards, making small-talk or just sitting and listening. At this time of the year, the village is full of stories, rumours and speculation about crop procurement activities in or around the area. From time to time, villagers glance towards the road leading to the village centre. Any

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movement from that direction – the noise of a vehicle or the sight of a stranger – draws everyone’s attention. They are all waiting for something to happen, the signal that begins the harvest season.

Their anxieties are well justified. The autumn harvest is the most important occasion for the peasants in this region. About 80 per cent of the annual income of many peasant households comes from this harvest season. The risks are as high as the stakes involved. Having gone through hail, pests and disease, gusty winds, droughts and occasionally floods, by this time of the year nature has already cast its verdict on the harvest in the fields. But for the villagers the final, and often decisive, element of uncertainty is market price. A good year for harvest may turn out to be miserable for the peasants if the price for their produce is low. Not until arbitrageurs come to the village and offer a purchasing price do the grape growers know the price at which their grapes are to be sold. And then the offer price can change in response to subtle interactions between the middlemen and grape growers during the procurement process. Small wonder that great efforts are devoted to these few weeks in September and October: off-farm family members called back, other business postponed, and mutual assistance teams formed and reinforced.

The autumn harvest is the occasion when peasants experience the most intensive interactions with markets. Of course, in everyday life they routinely interact with local markets, to purchase daily necessities and farming equipment. These activities are individual-based without co-ordination, piecemeal and spread over time. In contrast, the autumn harvest takes place in a concentrated period of a few weeks, when all the main crops in the region – corn, fruit and especially winemaking grapes – reach the harvest season, and when the *external* markets, represented by the arbitrageurs, move to the centre of the village, and a large number of households engage in similar activities simultaneously, often in a highly co-ordinated manner.

In this study, I take a microscopic look at the autumn harvest in FS township, especially the interaction between the peasants and markets, in the context of rural China undergoing profound transformation. I focus on those produce markets, most visible and active in the harvest season, that link local villages to national markets. The autumn harvest is a theatre on whose stage the year-long drama of farming, the taming of nature and local politics reaches its finale. This is an occasion when several different worlds – the business world of large companies, the entrepreneurial world of arbitrageurs, local elites and peasant households – are compressed into the same social space, setting up the stage for players to engage in intensive interactions with one another. In this sense, the harvest season presents the crystallization of economic and social relations among the villagers, between villagers and local elites, and between peasants and markets.

Since Skinner’s pioneering work more than half a century ago, the role of rural markets has long occupied a significant place in China studies. As Skinner put it, “marketing structures inevitably shape local social organization and provide one

of the crucial modes for integrating myriad peasant communities into the single social system which is the total society.”¹ Research has shown that market activities in rural areas provided the key to understanding historical patterns of stagnation and development as well as power relations in traditional China.² Moreover, in the last 30 years, rural China has proved to be an especially rich context in stimulating theoretical models and debates on the processes and mechanisms of change in transitional economies.³ Scholars have recognized what Parish and Michelson called the “dual transformations” of politics and markets in China’s transitional economy,⁴ although this literature has evolved unevenly over the last two decades. Over time, researchers have made significant advances in conceptualizing and examining the role of the state in China’s economic transformation, in terms of power persistence, the corporatist role of local governments, and the coevolution between the state and markets.⁵ The roles of markets are much discussed and often questioned in this debate, but seldom carefully scrutinized in empirical studies; as a result, market forces remain elusive in analysis.⁶

Social scientists have long recognized that market transactions are often governed by other social institutions and embedded in dense social relations, and that their meanings need to be interpreted in specific institutional contexts.⁷ The revival and expansion of market activities in rural China have been recorded and examined in social science research, especially regarding broad, macro-level patterns based on survey data and statistical analyses.⁸ However, much less is

- 1 G. William Skinner, “Marketing and social structure in rural China, part I,” *Journal of Asian Studies* (1964), p. 3. See also Skinner, “Rural marketing in China: repression and revival,” *The China Quarterly*, No. 103 (1985), pp. 393–413; Skinner, “Presidential address: the structure of Chinese history,” *Journal of Asian Studies*, No. 44 (1985), pp. 271–92.
- 2 Prasenjit Duara, *Culture, Power, and the State: Rural North China, 1900–1942* (Stanford, CA: Stanford University Press, 1988); Philip C. Huang, *The Peasant Economy and Social Change in North China* (Stanford, CA: Stanford University Press, 1985); Philip C. Huang, *The Peasant Family and Rural Development in the Yangzi Delta* (Stanford, CA: Stanford University Press, 1990); Kenneth Pomeranz, *The Great Divergence* (Princeton, NJ: Princeton University Press, 2001).
- 3 Victor Nee, “A theory of market transition,” *American Sociological Review*, No. 54 (1989), pp. 663–81; Jean C. Oi, *Rural China Takes Off* (Berkeley: University of California Press, 1999). Andrew G. Walder, “Local governments as industrial firms,” *American Journal of Sociology*, No. 101 (1995), pp. 263–301.
- 4 William L. Parish and Ethan Michelson, “Politics and markets: dual transformation,” *American Journal of Sociology*, No. 101 (1996), pp. 1042–59.
- 5 Yanjie Bian and John W. Logan, “Market transition and the persistence of power,” *American Sociological Review*, No. 61 (1996), pp. 739–58; Oi, *Rural China Takes Off*; Walder, “Local governments as industrial firms”; Xueguang Zhou, “Economic transformation and income inequality in urban China,” *American Journal of Sociology*, No. 105 (2000), pp. 1135–74.
- 6 Studies in the sociology of China have touched on the role of markets but few takes markets as the focus of analysis; see Nee “Market transition”; Yusheng Peng, “Kinship networks and entrepreneurs in China’s transitional economy,” *American Journal of Sociology*, No. 109 (2004), pp. 1045–74; Xiaogang Wu and Yu Xie, “Does the market pay off?” *American Sociological Review*, No. 68 (2003), pp. 425–42.
- 7 Mark Granovetter, “Economic action and social structure,” *American Journal of Sociology*, No. 91 (1985), pp. 481–510; Gary G. Hamilton and Nicole Woolsey Biggart, “Market, culture, and authority,” *American Journal of Sociology*, No. 94 (1988), pp. S52–S94; Viviana A. Zelizer, *The Social Meaning of Money* (New York: Basic Books, 1994).
- 8 Agricultural economists have made significant contributions in this area. See e.g. Scott Rozelle *et al.*, “Continuity and change in China’s rural periodic markets,” *The China Journal* (2003), pp. 89–115; Albert Park *et al.*, “Market mergence and transition,” *American Journal of Agricultural Economics* (2002), pp. 67–82; Albert Park *et al.*, “Bureaucrat to entrepreneur,” *Economic Development and*

known about the microprocesses in market transactions and about the ways in which market activities shape, and are shaped by, local social structure.

This study takes a step to fill this gap. By focusing on the autumn harvest, it intends to make two contributions to the literature. First, the occasion of intensive interactions between peasants and markets allows an examination of the intricacies and processes at work in the intersection of capital, entrepreneurs, local elites and peasants, thus helping to open up the black box of microprocesses of market and identify the underlying mechanisms. Second, the microscopic approach adopted in this study sheds light on patterns of interactions between markets and local institutions. I show that distinct modes of market transactions across different produce foster significant variations in the links between peasants, local elites and markets, engendering different dynamics of change and stability in social institutions. Attention to these nuances of market processes should help us understand the subtle but significant changes in social relations and local institutions in villages, and the formation and evolution of produce markets, as well as shed light on larger issues about the sources and mechanisms of institutional changes at the macro-level.

This article first examines the modes of market transactions in the autumn harvest as a way to introduce the players and processes involved; it then looks beneath these market transactions to understand the stable institutions and mechanisms that sustain them. Finally, it expands beyond the harvest to see how larger economic and social contexts provide structures to the autumn harvest and how the microprocesses feed back to modify or reinforce these institutions.

Linking to Markets: Modes of Transactions across Produce Markets

Located in an impoverished, mountainous region in Hebei province, remote from industrial bases and main transportation routes, FS township has been struggling not to be left behind in the development of rural China. Economic development in this agricultural town has been slow and difficult. For the 27 villages in the township, agricultural activities – growing corn, grapes and other fruits – are the main source of income. In years of drought or other natural disasters, which are not infrequent, there is little yield from the crops. Peasants here traditionally lived on subsistence economy and interacted with local, periodic markets, but this was greatly suppressed during Mao's collectivization era. Freidman, Pickowicz and Selden, in their study of a Chinese village in this region, documented the great efforts of the socialist state to penetrate and organize rural

footnote continued

Cultural Changes (2000), pp. 227–52; Alan de Brauw *et al.*, “Responsiveness, flexibility and market liberalization in China's agriculture,” *American Journal of Agricultural Economics* (2000), pp. 1133–39. Also see Helen Siu, “Socialist peddlers and princes in a Chinese market town,” *American Ethnologist*, No. 16 (1989), pp. 195–212; Anita Chan, Richard Madsen and Jonathan Unger, *Chan Village* (Berkeley: University of California Press, 1984).

life.⁹ After the decollectivization of the late 1970s, market activities in this region began to revive and expand, and most villagers grow cash crops.¹⁰

In recent years, economic and social changes have accelerated appreciably. In particular, the introduction of winemaking grapes in the 1990s has meant vineyards replacing a large proportion of cornfields in many villages. Per capita annual income in this township in 2005 was estimated at 3,000 yuan, making it near the national average living standard in rural areas. Markets have now moved to the centre of villagers' lives: almost all economic exchanges – from farming equipment and produce to daily necessities – are bought and sold in open markets.¹¹ Changes in the pattern of social institutions in rural China obviously need to be understood in the context of these pervasive market activities.

Looking closely at these activities, however, there are significant variations among the market transactions. It would be too simplistic to talk about *the* market and *its* impact on social life. Below, I highlight different modes of market transactions in FS township and the nearby regions.

The market for winemaking grapes

Grapes are one of the main produces in this region. For some villages, they provide more than half and at times up to 90 per cent of household annual income. Because grapes are perishable goods that must be sold and processed in a relatively short time, usually in a few weeks, buyers and sellers reach decisions and complete transactions under tremendous time pressures.

Market transactions for winemaking grapes involve an elaborate market chain (see Figure 1). At one end are a few (usually five or six) large winemakers who are the end-buyers of grapes in large quantities of thousands of tons; at the other end are thousands of grape growers, each with small pieces of land between one and 15 *mu*.¹² In between are the arbitrageurs or middlemen, who come to villages to buy grapes and then sell them to winemakers and profit from the arbitrage. The arbitrageur often hires a “local agent” who helps organize purchasing activities within the village.

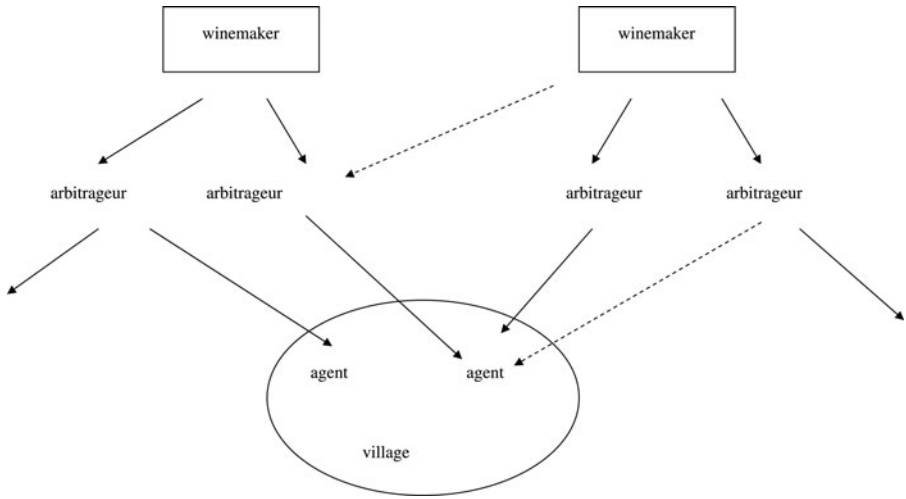
In a typical process, a winemaker makes the initial move by deciding on its purchasing price and contracting arbitrageurs to help buy grapes in villages. Once the winemaker has set its price, the arbitrageurs calculate their offering price to grape growers. Their strategy is to offer a price that is as low as possible

9 Edward Friedman, Paul G. Pickowicz and Mark Selden, *Chinese Village, Socialist State* (New Haven, CN: Yale University Press, 1991).

10 Between 2004 and 2010 I travelled to FS township many times each year, including three harvest seasons, to conduct participatory observations of rural life. Unless otherwise indicated, the quotations and descriptions in the text are drawn from my fieldnotes.

11 Outflow of migrant workers in FS township varies greatly across villages. In grape-growing villages, labour-intensive fieldwork keeps a large proportion of labourers at home; in corn-growing villages, the majority of the young villagers left for jobs in urban areas.

12 1 *mu* ≈ 0.165 acre.

Figure 1: **Market Chain for Winemaking Grapes**

but high enough to induce the villagers to sell grapes to them. This is done through an iterative process of price adjustment in response to the peasants' response to price offers. The villagers respond by choosing either to "wait" or to "sell." There is usually an initial period when the grape growers decide to "wait" in response to the middlemen's offering price, engaging in a "silent" price negotiation.

Once the selling starts, the grapes of an entire village – about 1,500,000 *jin*¹³ in total – will be sold in a week or two. Villagers are extremely sensitive to even the smallest price change, which triggers the flow of grapes in one direction or another. Because of competition among winemakers, the grape market is highly fluid and volatile; the purchasing price keeps changing in this process, sometimes several times in a day, directing the flow of grapes to those sites that offer the highest price. In a quiet morning before the beginning of the purchasing season, as I sat down at a small gathering in a village where they were chatting about grape prices, an arbitrageur offered a vivid account: "Just this morning when we were discussing the price for *Manaiti* grape [a grape variety for white wine], the price changed three times. At first, I gave him [pointing to a local agent at the table] the price at 1.10 yuan per *jin*. Shortly after that, he received a phone call, the person on the other end offered him 1.15 yuan. Just now, his partner came in and told him that someone in the village offered 1.20 yuan to buy the grapes."

The different players involved in this chain of transactions, as shown in Figure 1, can be described as follows. First, the winemakers are the end-buyers of large quantities of winemaking grapes. They are a small number of large

13 1 *jin* ≈ 1.102 pound.

companies, with state-owned or shareholding ownership. In the market for wine-making grapes, they are the decision makers on purchasing price, and shape the dynamics of price setting in local markets. In general, the higher the winemaker's purchasing price, the more dynamic, competitive and lengthy the procurement processes among the arbitrageurs, and the higher the eventual purchasing price in local markets. To grape growers, the shadow of these large winemakers looms large in the background: their presence is felt but not observed; their power is mysterious but real.

Second, the arbitrageurs purchase produce in local markets, often right in the village, then transport and sell it to the end-buyers. The profit margin for grapes varies between five and 20 cents per *jin*, depending on market conditions. Because the setup cost is high and the margin of profit is small, scale of operation is the key factor to ensure profitability; the arbitrageurs therefore compete with each other to purchase the largest possible quantity of grapes. An arbitrageur usually organizes a team of three or four individuals who assist in inspecting and transporting grapes, or handling financial transactions. To the villagers, there are different sorts of arbitrageurs: some are familiar faces like old friends, others are strangers with non-local accents; in either case, they are "outsiders" to be guarded against.

Third, local agents are villagers chosen by the arbitrageurs to act as their representatives to facilitate transactions in the village, by providing packaging boxes, weighing, loading, finding temporary storage and handling payment to the sellers. In most cases it is the local agents who are in charge at the purchasing sites, with outside arbitrageurs staying behind the scenes. Local agents have both outside connections with the arbitrageurs and, at the same time, strong influence inside the village to settle disputes and ensure a sense of fairness to both sides.

The final players are the grape growers. At first appearance, they decide on when and at what price to sell their produce, but they are in fact the most vulnerable and helpless of those involved. Grape purchase is highly seasonable; once the purchasing season is over, the winemaker will refuse to accept additional grapes. If growers are too late, arbitrageurs are gone, purchase sites closed, opportunities disappear and the villagers are left with nowhere to sell their produce. Because of this and the fact that purchasing prices change frequently and unpredictably, grape growers also compete among themselves to sell at the right time for the best returns to their produce. Although villagers play the "wait" game at the initial stage, their patience is often short lived.

The corn market

In contrast to the near-panic scenes at the grape market, the corn market involves quiet, scattered and almost leisurely market transactions. Corn is the main crop in this region, although over the years many households have tried to abandon it in search for more profitable crops.

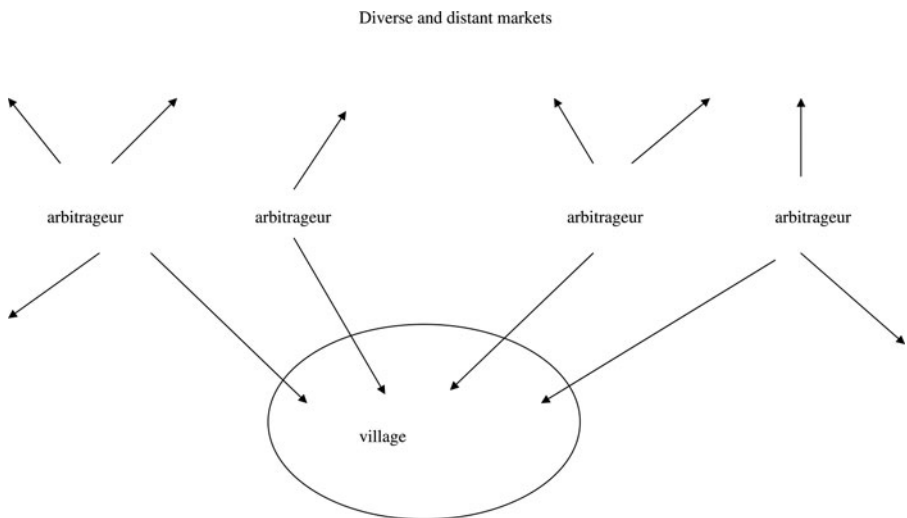
The corn market is dispersed, for corn is sold to arbitrageurs who are connected with highly diverse markets: their end buyers are often small-scale farmers in southern China who use corn to feed their livestock. As a result, arbitrageurs are often individual-based, numerous and operating on small scale, without the involvement of local agents (see Figure 2). Moreover, the corn market has very different rhythms. Corn is not sold immediately upon harvest; instead, it is processed, dried and stored in the household. There are two main occasions when corn is sold. The first is around the Chinese New Year (usually in February), when households need cash for holiday spending. The second is at the beginning of the spring season, when they need money to prepare for agricultural activities. Finally, unlike the short market for grapes, the corn market has a long duration and can be planned ahead of time. If corn is not sold on one occasion, it can be safely put aside to wait for the next one. In a sense, corn appears like family savings that can be banked and sold in time of need rather than in response to market pressures.

To sum up, unlike the market for winemaking grapes, characteristics of the corn market include long duration, low intensity, small scale and household-based activities, involving minimum co-ordination across households or villages.

The market for apples

Between the two types described above are other modes of market transactions that share some of their characteristics, such as that for apples. “Small apples” are those that fail to grow into full size, colour or shape; they used to be worthless and were thrown away or used to feed livestock. But the rise of the fruit juice

Figure 2: **Market Chain for Corn**



market has put a premium price on small apples and turned them into a hot commodity.

Because the produce is channelled to a few large food processing companies, the link between peasants and markets is organized in ways similar to the markets for winemaking grapes. These companies “contracted” arbitrageurs to purchase small apples and transport them to processing sites. Several companies as far as hundreds of miles away compete for apples through their middlemen, as with the winemaking grapes.

There is one key difference between the two markets: the use of local agents. Local agents are commonly used in the grape markets, but in most cases are not involved in the procurement of apples. Instead, arbitrageurs come to the village and purchase apples directly from villagers. As an arbitrageur put it, apples are easier to inspect: you can simply dump apples from one bag to another to make sure that nothing funny (such as bricks or empty bottles) is put in the bags. But grapes come already packed in stacks of boxes and it is difficult to inspect the quality within each box, so local agents are needed to exert social pressures to ensure quality.

Summary of the markets

There are two ideal types of markets for produces with distinctive characteristics. The first, as typified by the market for winemaking grapes, is dominated by a small number of large companies, who are influential in shaping not only the price but also the mode of interactions between peasants and markets. The second, as shown in the corn market, is characteristic of dispersed markets for household-based transactions. There are intermediate types in between, combining and compromising attributes of both types.

Several distinctive features emerge across these markets. First, market structures vary a great deal across produces. Second, there are significant variations in the rhythms of transactions across markets, with different impacts on crop growers even in the same village. Third, the presence or absence of local agents is of particular importance: in the former case, local agents provide the interface between markets and villagers, whereas in the latter, villagers interact with markets directly on an individual basis. This observation has important implications for local politics and institution building, as shown in the next section.

Turning on the Spotlight: Harvest as a Theatre for Local Politics

Imagine this scene: at the height of the grape harvest season, there are as many as a dozen or so agents setting up purchasing sites in a village. They announce their purchasing prices through loudspeakers. The announcements often come one after another, like a bidding war, echoing and lingering in the air over the entire village. On the ground, villagers shift their movements in response to the announcements, flocking from one direction to another towards the ones that

offer the highest price. As I argued above, the autumn harvest sets the stage for the drama by compressing several disparate worlds into one social space and by inducing intensive interactions among capital, entrepreneurs, local elites and peasants. This section elaborates on the intricate interactions among these worlds, and identifies and examines the links between the actors in the market chains and the mechanisms that underline the observed patterns.

Of special interest is the role of local agents in the grape markets, who serve as the interface between villagers and middlemen as well as a buffer between peasants and markets. For many villagers, these local agents are their direct, and often only, link to markets, and they have to put their trust in agents to realize their market gains. Local agents are important because of their strategic role in this process: they are well connected with the arbitrageurs and, at the same time, well placed in the village. Why is there a need for local agents? The common answer is that, in the process of market transactions, disputes are likely to arise over weight, quality and payment, among other things. Local agents are in a strategic position to settle these issues. At first glance, this is a typical economic argument about economizing transaction cost.¹⁴ Looking closely, however, there are other forces at work. There is a deep and mutual suspicion and mistrust between the “outsider” arbitrageurs and the close-knit villagers. Casual conversations with either side quickly lead to plenty of stories and allegations – some malicious, others ridiculous. Local agents collect and disseminate these stories, and they serve a purpose; that is, under these circumstances, both sides need to trust the local agents to ensure a sense of fairness in market transactions. Instead of a “spot market” where a buyer and a seller meet and transact only sporadically, the presence of local agents turns the marketplace into a *relational* market involving stable and repeated interactions.

The local agent’s role is as profitable as it is important. According to one agent, in a good year he can make over 10,000 yuan, this in an area where per capita annual income is about 3,000 yuan. Moreover, acting as a local agent takes up only a couple of weeks, with no investment needed except for one’s reputation and organizational skills. It is not surprising, then, that there is a strong incentive to become a local agent and that agents compete seriously with each other.

So who are these local agents? One theory is that they are likely to be village cadres. This is intuitive: village cadres are more influential in dispute resolution in their villages and are more likely to be exposed to market opportunities and come into contact with external markets. Casual observations confirm that, more often than not, members of the village government are involved in the role of local agents. Procuring companies and arbitrageurs seek local cadres to contract for produces in their villages. However, it is important to note that, by the early 2000s village cadres no longer acted as state representatives; they had only

14 Oliver E. Williamson, *The Economic Institutions of Capitalism* (New York: Free Press, 1985).

tenuous, occasional interactions with the township government. Indeed, when village cadres act as local agents, they explicitly take off their “cadre” hat and put on their “entrepreneur” hat. In some cases the cadres bind themselves together in the same team; in others, they act as different, thus competing, agents for different arbitrageurs and/or winemakers. As such, the autumn harvest provides the occasion to engage in open, legitimate confrontation with one another.

But village cadres are not the only agents. There are other elites who, for a variety of reasons, are not part of the village government but have connections with external markets through informal social networks, and the capacity to organize and co-ordinate transactions in the village. For many, making money is the main motivation; for some, however, there is more to prove than mere profit. They may be aspiring candidates who failed in village elections or plan to run in the next round; or they may disdain village office but care about maintaining their elite status in the village. Price manipulation induces the direction in which resources and profits, and hence prestige and status, flow. The ability to procure the largest volume of produce is important not only for profit but also to demonstrate one’s ability in taking charge and in mobilizing resources. In one purchasing site for small apples, the local agent was an active candidate who ran for village office but failed a few months before. Now he ran his purchasing site as if to demonstrate his sphere of influence:

Our apples are shipped directly to the fruit juice company. I have a contract with the company. We get a bonus when we complete our contract. The profit in arbitrage for apples is small, but that is not where we make money. I have close ties in several juice companies all over the place. We’ve already purchased a lot, shipping off several truckloads. He [the competitor] has not sent off even one truckload yet ... We can take in his apples even if they are rotten. When we sell them, they are good apples no matter what. But if he tries to sell them, he would not even get in [the gate of the company]: he would not be able to get his stuff weighed there.

The key word is “contract,” which appears frequently in conversations to signal a sense of importance, status and power. Contract here does not mean formal agreement between firms or economic agents. Rather, it is an oral agreement between the agent (or arbitrageur) and the large company on the understanding that the company will take in an agreed-upon amount of produce from the agent, often with a price stipulation. A local agent who does not have such a contract has no guarantee that he can eventually sell the produce he takes in; often he has to sell his procurement under someone else’s “contract” and share profits with that agent. In a world where peasants’ livelihood relies on markets, the ability to influence the mysterious and unsympathetic market force commands respect, status and power.

Not surprisingly, the harvest also provides the stage for competition in village politics, settling old scores and solidifying one’s status. At times, the drama unfolds like a replay of village elections. In one example, the elected village head was fully in charge, with the Party secretary being pushed aside. His description of the scene in the grape purchase season sounds like a snapshot of the recent village election:

It was very exciting in that period of time. YG [the village Party secretary] would announce in the loudspeaker: “I buy grapes for 1.05 yuan per *jin*.” I would follow immediately: “My price is 1.20 yuan” ... We call the arbitrageur, and tell him, other buyers increased the price by ten cents, shall we raise the price at all? The arbitrageur would tell us, go ahead ... I can purchase 50 per cent of the grapes in our village. My purchase is fair and I put all my charges in the open ... Being a cadre, you cannot make money by cheating your fellow villagers; you have to earn your money in a fair game.

And the villagers love it. As it turns out, despite the complexities involving multiple agents and markets, the villagers follow a simple, rational logic: sell produce to those that offer the highest price. One villager remarked: “We only sell to the one that offers the highest price. Sometimes we got packaging boxes from one agent and picked grapes in them. When another agent offered a higher price, we would change boxes right away and sell to the other one. If they offer the same price, I would sell to the one with a closer relationship.” Another villager recalled: “Last year, I sold my grapes to several agents in the village, to whoever offered a better price. The local agents understand this. You have worked hard for the whole year; of course, you want to sell your crops at a good price.”

This obviously constrains the behaviour of local agents. Mr Kang, a local agent and the head of a village, described his dealings with middlemen:

Many arbitrageurs come to me, some are old friends, and some are new. I don't care. I have only one criterion to choose among them, that is, price. Whoever offers the highest price, I'll be his agent ... If three arbitrageurs offer the same price, I may choose only one to serve as his agent, or I may work for all three to ensure our relationships. In that case, I would set up three purchasing sites separately.

There are multiple and conflicting logics involved in the drama: market competition that directs the flow of sellers towards the purchasing sites that offer the highest prices; arbitrageurs colluding with both winemakers and local agents to extract larger profits; and grape growers maximizing their profits by timing both markets and agents. In particular, there are obvious conflicting logics underlying the role of local agents: on the one hand, to many villagers local agents act as a buffer to the abrasive markets by ensuring fair market exchange (such as fair price, weighting instrument and prompt payment); on the other hand, the villagers are also keenly aware that there is an incentive for agents to collude with middlemen to profit by manipulating the timing of price change. In a “casual” conversation, I was told that a village head was rumoured to have deliberately suppressed purchasing prices so as to get kickbacks from the middleman. These charges may never be made openly, let alone substantiated, but they spread through hints with knowing smiles and dignified frowns, undermining the authority of those who would put their “cadre” hat back on when the harvest season is over.

In contrast, in the markets for apples and corn, crops are bought and sold, weighed and transported without the fanfare of the grape market, and noticeably without the presence of local agents. In these activities, villagers routinely interact with markets and carry out transactions in ways that place no demand on collective decision-making, organizing capacities or other formal co-ordination

mechanisms. The striking contrasts of different modes of market transaction lead one to an examination of the links of these villages and regions to external markets and consumers all over the country. By doing so, larger patterns emerge of interactions among capital, entrepreneurs and local institutions in rural China.

Beyond the Village: Markets and the Organization of Social Relations

Since Skinner's pioneering work on rural market systems, it has been well recognized that the structure and dynamics of markets play a major role in shaping patterns of social organization. Indeed, this proposition is fully revealed in rural life today. Following the traces of arbitrageurs and entrepreneurs, slowly but surely markets of all kinds have moved into the township and villages, and into remote corners of rural life. Alongside this can be discerned a parallel process in which patterns of social interactions, interest articulation and authority relationships in the village are increasingly organized around, and in response to, the dominant modes of market transactions that peasants experience in their daily lives. Through a microscopic lens I now examine the patterns and intricacies of interactions between markets and local institutions.

As capital and arbitrageurs enter the village, they do not encounter atomized individuals as portrayed in the ideal-type marketplace in neoclassical economics; rather, villagers are embedded in a close-knit web of social relations sustained by stable institutions such as kinships and village governments. Nor do villagers meet faceless market forces. As shown above, markets take the faces of arbitrageurs, and some are strangers but others acquaintances, neighbours or even relatives. Villagers respond to market mechanisms and are extremely sensitive to price differences; but the market dynamics are such that disturbances caused by price discrepancies are often quickly restored to equilibrium through price readjustment among the parties, at times retroactively. As a result, more often than not villagers have a choice of where to sell their produce in the face of a uniform price. Moreover, the same produce may vary in quality and have to be appraised, graded and differentially priced at the purchasing site, which is subject to subtle negotiation and leaves much room for social relations to come into play. Market transactions, and their meanings and implications for rural life, need to be interpreted in this rich institutional context.

Market transactions and social relations

Among the actors involved in the market chains, arbitrageurs play a critical role in linking peasants to external capital and markets, and linking isolated villages to the national economy. As described above, arbitrageurs have to finance their own procurement, arrange their own transport, prepare their own packaging materials and deal with disputes arising in this process. Although they have to shoulder all the risks in the transactions, in fact these are not as severe as they appear. Unlike the lone "arbitrageur" in economic analysis, in the real world

arbitrageurs are likely to have dense social relations and operate in a rich and familiar institutional context, and are likely to have forged strong and stable relationships with both upstream contractors and downstream local agents to minimize potential risks.

Using the grape market as an example, before the harvest season begins, arbitrageurs have already secured “contracts” with one or more winemakers. Although not formally signed, these oral agreements are always honoured. According to one arbitrageur:

The process is like this. We get the finance, transportation and packaging materials ready on our own. Then the manager at the winemaker would give us a phone call, and tell us the offer price and a period of time, say, between the 10th and the 15th of the month for grape purchase. We then decide our offer price based on the price set by the winemaker. Sometimes, there is competition among the winemakers, and the purchasing prices escalate in villages. In that case, we would call our winemaker and ask if he is willing to increase the purchasing price ... If other winemakers offer a higher price, we [the middlemen] would sell our grapes to them. Sometimes we purchase too many grapes; then, we would sell the extra load to another winemaker under another arbitrageur’s contract [with that winemaker]. We middlemen know each other and help each other out.

Clearly, beneath interactions between winemakers and arbitrageurs are stable social mechanisms, such as strong social ties and reciprocity in favours, which ensure ongoing market transactions. One arbitrageur illustrated this point:

I have a long-term relationship with the procurement company in our county. And we always honour our [oral] agreements. There were times when we got offers of higher prices for our produce. I remember one occasion when I received several calls that offered higher prices even as we were on our way to deliver our procurement to our contract partner. But we still honoured the agreement with our partner. There were also times when they [our contracting company] would help us out. Last year, when the price for apricot was very low, my contract partner bought my procurement at a higher price to cut my loss.

This story is by no means an isolated one. The arbitrageurs I have encountered often told stories of some special links to a winemaker, either a social one involving blood ties or close friends, or mutual benefits based on repeated interactions. These legends of success and failure reinforce the cultural expectation of social relationships and the “right recipe” for successful business transactions. The strategic alliance between a particular winemaker–arbitrageur pair may be temporary, but the social mechanisms – social ties, favours and patron–client relationships – are replicated and reinforced in this process.

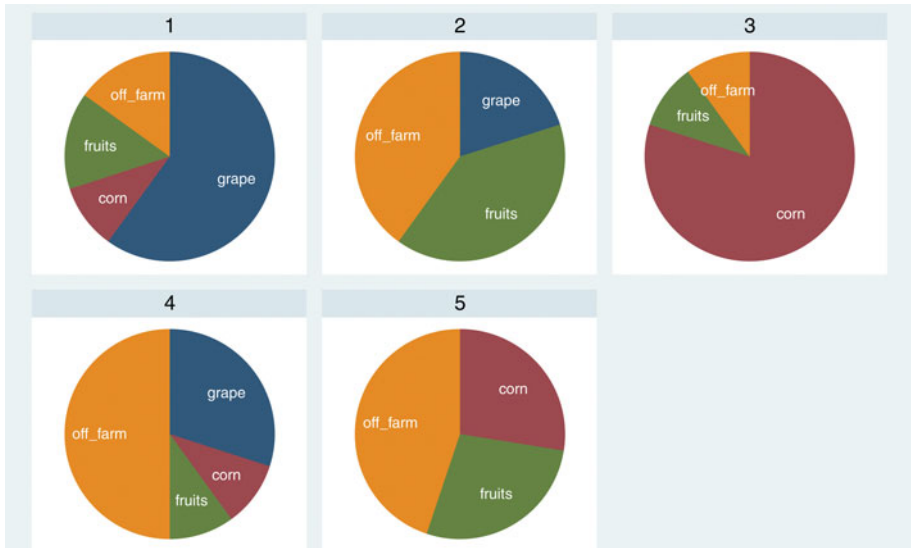
At the lower-end of the market chain in villages, even denser social relations and more stable local institutions are intertwined with market transactions. When observing interactions at purchasing sites, it is not difficult to discern the various manners – sometimes sharply contrasting but more often finely shaded – in which the owner greeted his customers: some were treated as close friends, some as acquaintances, others as strangers; at times, some were initially greeted as strangers but interactions soon warmed up as their conversations revealed more intimate connections through second- or third-nodes of network ties. In one instance, a villager casually told me that, the day before, he took a trip to a large purchasing site in the town to sell his produce, and ended up

staying for dinner upon the invitation of the owner. Simple as it may sound, much richer social significance is involved in this episode. It so happened that the two largest purchasing sites for this produce in this township were run by two families from the same village who were fierce rivals. In this context, a trip to one purchasing site implies distancing oneself from the family running the other purchasing site. Further, the invitation for dinner was in part to reciprocate the help this villager gave the owner's family in an engagement ceremony not long before. Clearly, out of these market transactions have grown not only calculated profits and benefits, but also a sense of reciprocity and obligation. Instead of taking on a life of their own, then, markets have become the vehicle or medium of social interactions, in which trust is cultivated or enfeebled, relations renewed or realigned, and social institutions reinforced or undermined.

Market transactions and collective governance

Interactions between markets and villagers are not only mediated through dense and particularistic social relations, but also moulded by stable local institutions such as village governments and kinship organizations. Indeed, local responses to markets are by no means uniform; rather, they depend on available institutional facilities. In some villages, strong collective authority takes charge of co-ordination in irrigation and the provision of other public goods, whereas in others, kinship still plays an important role in mutual assistance. The choice of crops often subtly intertwines with the state of local institutions. In villages where there has been strong collective authority, irrigation facilities are likely to be well developed and maintained, which encourages co-ordinated, deliberate or imitative, decision-making among the households. At times, the hand of the collective authority could be more intrusive and forceful. One village head was fond of telling the story that, some years before, he pushed his fellow villagers to convert a large proportion of the land from cornfield to vineyard. Some villagers were reluctant; a few even lay in their cornfields to stop his conversion attempt, but to no avail. Sitting behind a tractor, the village head charged into the cornfields to force the conversion and almost literally overran the villagers' resistance.

In the same vein, the significance of markets should be understood not only in their pervasiveness in rural life but also, more importantly, in the extent of diversity they bring into villagers' lives. Because of the variety of crops and sources of income among households and across villages nowadays, the autumn harvest has varying effects on different households and villages, and has different meanings to those involved. Figure 3 shows a rough estimate of the composition of income across the five villages in this study. As can be seen, there are considerable variations in the sources of income. In some villages 80 per cent of the income comes from grapes, whereas in others the largest component of income comes from corn. Such variations are partly induced by household decision-making in response to market returns, partly dictated by the natural conditions of the

Figure 3: **Sources of Income in Selected Villages**

Source:
Interview notes.

(colour online)

land, and partly induced by government policies that offer different incentives for agricultural activities.

Varied as these patterns may, the implications are obvious: the diversity in crops and other sources of income is likely to generate equally diverse market experiences across the households and villages. As the villagers attend to different crops in the fields in anticipation of, or in response to, particular markets, modes of market transactions inevitably induce corresponding patterns of social interactions. Some may appear almost as “naturally” as the cycles of the crops; others bear distinct marks of deliberate, at times contentious, negotiation among the participants.

First, the choice of crops in response to market demand inadvertently induces different patterns of social interactions, and hence different patterns of relationships among the villagers. For example, crops that involve intensive labour and financial input, such as grapes, induce a larger proportion of villagers to stay in the village, self-organize into mutual aid teams and engage in local politics. Similarly, certain crops (like grapes) put a heavy demand on irrigation facilities, inducing co-ordination among villagers to share these facilities and to reinforce collective authorities in the process. In contrast, crops that can be cared for through household-based inputs and which experience less time pressure (such as corn) encourage dispersed, household-based decision-making and activities. These patterns of farming-induced interactions are likely to spill over to other areas of interest articulation and governance.

Moreover, distinctive market structures affect patterns of social interaction in a more direct manner, especially in critical episodes like the autumn harvest.

Different modes of market transactions induce different rhythms of interactions among the villagers and between villagers and markets, which also call for different co-ordination mechanisms. At one extreme, the imposition of highly organized capital (such as winemakers) induces simultaneous collective behaviour among the villagers and forces them to self-organize in mutual assistance and collective response. At the other extreme, disperse markets (such as for corn) solicit household-based responses, thereby cultivating unorganized, unco-ordinated behaviour.

Emerging from the above discussions is a more nuanced image of markets, whose multifarious forces bring equally varied experiences to villagers and social groups, and have different impacts on rural life. It is clear that these patterns of interactions at harvest time are likely to spill over to other areas and beyond the harvest season, and that they reflect changes in the larger institutional context beyond the boundaries of villages and the region. The final section places this episode in the larger picture of institutional transformation in China.

Beyond the Autumn Harvest: The Roles of States and Markets Reconsidered

In the harvest drama depicted so far, perhaps the most intriguing aspect is what is missing from it – that is, the absence of the state, at both the central and local levels. This is especially conspicuous against the background that the harvest season used to be the stage on which the most intensive and contentious interactions took place between the state and the peasants. On the same stage today, the stakes for the peasants are as high as before, as is the intensity of interactions among the parties involved – within and across villages, between the villagers and local/distant merchants, and between the villages and external markets extending hundreds of miles away. But the governments, from the central down to the township levels, are nowhere to be found: no policy directives from governments at all levels, no official visits from government inspection terms as in the past; on the contrary, government officials deliberately stay away as far as possible from the harvest. Village cadres are often at centre-stage, but through years of decollectivization and village elections they have become distant from the local government and no longer play the role of state agents.

This picture has recorded more recent, significant changes taking place in the last decade, and a major departure from the dominant patterns of social and political organization in the not-too-distant past. For a long time, the state, both central and local, was at the centre of rural governance, and the interplay among the state, local bureaucracies and peasants has been the main theme in a large number of studies of rural China.¹⁵ In the early years of the reform era, the FS township government was actively involved in villagers' choice of

15 Vivienne Shue, *The Reach of the State* (Stanford, CA: Stanford University Press, 1988); Chan *et al.*, *Chan Village*.

crops and intervened in procurement activities. But since the early 2000s, especially after the abolishment of agricultural taxes in 2005, local governments in this region have largely withdrawn from peasants' daily lives, not only in the autumn harvest season but also in other areas of market activities. This is not to suggest that the state is withering: for example there are renewed efforts by both central and local governments to strengthen institutions of local governance such as village governments.¹⁶ There is also evidence that local governments are making an effort to attract investment into this region, such as large winemakers and food processing companies. These efforts are likely to reshape the produce markets in indirect but substantive ways.

My focus is on a small corner of rural China and on one particular episode of autumn harvest; in presenting my findings, I have deliberately and selectively highlighted certain issues while pushing others into the background. Hence limitations are obvious in generalizing the findings of this study. The observed patterns of interactions are obviously contingent on the particular types of crops and hence the specific markets and capital involved. For example, the portrait of intensive interactions between villagers and capital is characteristic of the markets for winemaking grapes in this particular region. There are also considerable variations in rural governance and infrastructure across villages and localities. My goal here is not to aim for representativeness but for relevance, that is, the relevance of the peasants' experience in FS township to make sense of the mechanisms and dynamics of interactions between markets and social institutions, which may help towards an understanding of China's great transformation. I now take stock of the implications on both accounts.

First, this study makes a contribution to our understanding of the microprocesses through which institutional changes take place. Treating the autumn harvest as a microcosm of interplays among capital, entrepreneurs, local elites and peasants, it explicates how external markets operate through arbitrageurs, how they interact with local agents, and how these interactions provide the forum for as well as the stimulus to local politics. The harvest reveals the Chinese villages situated in their distinct webs of institutions and market chains, exposed to the forces of capital and commerce on a scale that is far beyond the local boundaries of their daily experience. In so doing, this line of research helps open up the black box and add details to the microprocesses of market transactions in Skinner's tradition.

Second, this study also contributes to the debate in the social science literature on the role of markets and the state in transitional economies by developing a more nuanced conceptualization of markets and market transactions. The harvest episode not only highlights the pervasive role of markets in organizing rural activities but also gives prominence to the diverse, often conflicting,

16 See Thomas P. Bernstein and Xiaobo Lü, "Taxation without representation," *The China Quarterly*, No. 163 (2000); Scott Waldron, Colin Brown and John Longworth, "State sector reform and agriculture in China," *The China Quarterly*, No. 186 (2006), pp. 277–94.

experiences that markets bring to peasants' lives and to institutional changes. As the autumn harvest illustrates, markets may undermine the role of local cadres by rendering them irrelevant, as in the corn market, or by facilitating other elites in local competition, as in the grape market; but there are also circumstances under which markets reinforce the role of local cadres, as in the case when winemakers offer lucrative "contracts" to them. Some market transactions accelerate spontaneous collective actions, others decelerate them; some celebrate collective solidarity, others undermine it; some intensify social interactions, others segment them.

Situated in the broader context of institutional changes in transitional economies, the study reported here belongs to the kind of interpretive cultural analysis that Geertz once observed:

Rather than following a rising curve of cumulative findings, cultural analysis breaks up into a disconnected yet coherent sequence of bolder and bolder sorties. Studies do build on other studies, not in the sense that they take up where the others leave off, but in the sense that better informed and better conceptualized, they plunge more deeply into the same things.¹⁷

It is in this spirit I hope this study contributes to the literature: not in terms of adding one more village or township to the cumulative empirical evidence indicating one trend or another, but rather to take a step further towards better defining the issues being debated and to readjust our focus of inquiry. As the ground is illuminated a little better and is cleared up somewhat by ongoing research efforts, we can "plunge more deeply into the same things" and engage in better dialogues to understand sources and patterns of institutional changes. Attention to these microprocesses, I hope, links specific behaviours, events and episodes with those abstract concepts of markets, states and social institutions, and leads us to understand their roles not as broad and fuzzy categories (or as variables in statistical models) but in their concrete operations in everyday practice and in relation to one another, so that they can be subjected to social science analysis. The activities in these villages, no matter how transient and haphazard, reflect the peasants' struggles to solve persisting and new problems amid major changes in their lives, by drawing on the routines, strategies and institutional facilities at their disposal; in so doing, they provide the microfoundation of institutional changes in China. I believe that we need to take the intricacies in the ongoing institutional changes seriously and make sense of them meaningfully, before simplifying them into abstract, theoretical models.

17 Clifford Geertz, *The Interpretation of Cultures* (New York: Basic Books, 1973), p. 25.