The Subsumption of Space and the Spatiality of Subsumption: Primitive Accumulation and the Transition to Capitalism in Shanghai, China

Daniel Buck
School of Geography, University of Oxford, Oxford, UK; daniel.buck@ouce.ox.ac.uk

Abstract: Based on extensive interviews, this study is the first systematic attempt to map the spatio-temporal evolution of production networks linking urban, state-owned enterprises and rural, township and village-owned enterprises in reform-era China. It identifies two distinct regimes of urban-to-rural subcontracting patterns and conventions. The first, which developed and prospered from the mid-1980s until the mid-1990s, brought rural workers and the countryside into a relatively extensive relationship with urban capital, and thus represented a partial transition to capitalism. Its violent reconfiguration in the wake of a series of sectoral crises in the late 1990s led to the widespread privatisation of rural enterprises, and the emergence and consolidation of a second regime that simultaneously constituted a significant intensification of relations, the capture of the rural by the urban, and a new stage in this region’s transition. This paper argues that these regimes are analogous to the formal and real subsumption of labor to capital, respectively, and that subsumption may be a more useful analytic for understanding the process of capture and transition than primitive accumulation: the latter concept alone, without reference to the dynamics of the social/spatial division of labor, risks missing other ways that exploitive connections can be constructed between places. This paper thus seeks to recast the relationship between these two concepts, and to develop a larger vocabulary in which subsumption, like primitive accumulation, is both spatial and ongoing and internal to capitalist accumulation.

Keywords: primitive accumulation, China, commodity chains, privatization, networks, neoliberalism, accumulation by dispossession

Will the urban fabric, with its greater or lesser meshes, catch in its nets all the territory of industrialized countries? Is this how the old opposition between town and country is overcome? (Lefebvre 1996:120).

The history of . . . the modern [age] is the urbanization of the countryside (Marx 1973:479).

Crises have no existence outside the matrix of spatio-temporalities that capitalism itself creates. Crises are as much about reconfiguring the spatio-temporal form of class relations (through all manner of stressful adjustments) as about the internal class contradictions of capitalism specified in some absolute and immutable space and time (Harvey 1999:xiv).
The post-socialist transition to capitalism in China has been geographically uneven, and may be better characterized as disparate regional transitions.¹ Most well known is the story of the south coast, where the establishment of experimental special economic zones after 1979 combined cheap labor with Hong Kong and Taiwanese capital and know-how to drive the development of a vast, free-wheeling, export-oriented production economy (for excellent studies, see Cartier 2001; Hsing 1998; Lee 1998; Lin 1997; Smart 2000). A very different but equally important story, if not quite as famous, is the spectacular rise of township- and village-owned enterprises (TVEs) in the lower Yangzi River delta. Here, foreign investment played a minimal role until recently, and most scholarly accounts focus on the “corporatist” role of the local state in fostering development (Byrd and Gelb 1991; Huang 1990; Naughton 1994; Oi 1992, 1999). Ostensibly, the transition to capitalism came much later here than on the south coast, with the widespread privatization of the TVEs in the late 1990s (Li and Rozelle 2000, 2003).

Usually told as a story of rural industrialization, the narrative about the lower Yangzi all but overlooks how most TVEs were closely connected through subcontracting relationships to state-owned enterprises (SOEs) belonging to the municipal governments of the region’s cities, especially Shanghai. This study is the first systematic attempt to map the spatio-temporal evolution of these networks. It argues that this regional transition occurred in phases and cannot be understood separately from shifts in these urban–rural linkages.

There were two distinct regimes of urban-to-rural subcontracting patterns. The first regime prospered from the mid-1980s until the mid-1990s. In important ways an outgrowth of the planned economy (still largely unreformed in this region until the 1990s²), it brought rural workers and the countryside into a relatively extensive relationship with urban capital, and thus represented a partial transition to capitalism. Its violent reconfiguration in the wake of a series of sectoral crises in the mid-to-late 1990s led to a second regime, one that constituted a significant intensification of subcontracting relations, the capture of the rural by the urban, and a new stage in this region’s capitalist evolution.

This capture of the country by the city has long been an integral part of the Marxian problematic of transitions to capitalism (often discussed in terms of modes of production), as have the concepts of primitive accumulation of capital and subsumption of labor by capital. The most salient characteristic of the second regime was the widespread privatization of the collectively owned rural TVEs. From the vantage point of the enterprises and their localities, the transition process appeared as privatisation, or rationalization of property rights—primitive accumulation, or what David Harvey calls accumulation by dispossession (Harvey 2003). But the radical restructuring of these urban–rural networks did more than create property rights. It also swept away a set of industrial
linkages that had allowed rural localities and their workers to retain a significant portion of the value they produced, and replaced it with one which reduced them to producing at or below cost. From this vantage point, the transition process appears as a more complete subordination of rural workers, together with their enterprises and localities, to the imperatives of urban capital, or what Marx called the subsumption of labor to capital. The two socio-spatial regimes identified in this study represent periods of “formal” and “real” subsumption, respectively.³

Both views may be correct, depending on the vantage point, and the two can be seen as mutually constitutive processes. But the dual nature of this process highlights a danger in understanding this kind of capture as primitive accumulation alone. An overly narrow focus on property, furthermore, ignores the dynamics of the spatial division of labor and risks missing other ways that exploitive relations can be constructed between places. This paper seeks to recast the relationship between these two concepts, and to develop a larger vocabulary in which subsumption, like primitive accumulation, is an ongoing and internal part of the process of capitalist accumulation (and deeply spatial, as well).

The paper is organized as follows. I turn, first, to a short examination of the theoretical questions of subsumption and primitive accumulation, followed by a brief description of the methodology of the larger research project. The subsequent section traces the historical construction and consolidation of the first urban–rural regime, followed by a description of its demise and the emergence of the second regime. A concluding section discusses the implications of this study.

Transitions, Subsumption, and Primitive Accumulation
For Marx the main identifying characteristic of capitalism was commodity production in which labor power was itself commodified and subordinated to capital. The development of wage relations was thus the key to any “transition” to capitalism, rather than property rights or markets per se. On the one hand, the development of wage relations was predicated upon the often violent separation of people from their means of production, or primitive accumulation. On the other hand, the subsumption of labor to capital was described as occurring in successive historical stages: the formal subsumption of labor to capital occurs when labor begins to work for capital, rather than itself. The capitalist form is not fully realized, however, until capital actually reworks the labor process, which is real subsumption of labor (Marx 1976). The difference has been usefully summarized as that between “hand-loom weavers working under the putting-out system, where the actual mode of work is no different from that they would have pursued had they remained independent craftsmen, and power-loom weavers working in large factories” (Sayer 1987:31–32). Marx apparently understood primitive accumulation and
subsumption to be intimately related: he discusses the incorporation of weaver labor into the circuits of capital in the context of primitive accumulation in the *Grundrisse* (1973:510), but in the context of formal and real subsumption in Volume I of *Capital* (1976: see “Results of the immediate process of production”, especially pp 1019–1038).

Looking only at concrete forms of the labor process, it could be argued that China achieved real subsumption in its factories during the socialist period. But Marx was theorizing shifts to capitalism from feudalism, not modern and industrial socialism, and he also meant these two forms as not only successive historical stages of capitalist development, but also as different, and increasingly intense, modes of exploitation of labor. This opens an important analytical space in which the wage relation is never absolute—it can always be more or less intense. This is something Marx himself recognized in his depiction of political struggles over the length and definition of the “working day”, line speeds, and so on, but did not theorize more fully.

In *The Agrarian Question*, Karl Kautsky ([1899] 1988) argued that when the expansionary logic of capital encounters obstacles to the penetration of non-capitalist sectors, penetration proceeds unevenly and imperfectly as capital finds ways around these barriers. A robust literature has theorized how agricultural production’s basis in nature impedes penetration, and how capital finds indirect and piecemeal ways to incorporate aspects of agricultural production into its circuits (Mann and Dickinson 1978; Goodman, Sorj and Wilkinson 1987). More recent work has built on this tradition and employed explicitly the language of subsumption to explain how firms “seek to subordinate biophysical properties and processes to the dictates of industrial production” (Boyd, Prudham and Schurman 2001:556–557; Goodman 2003). I invoke this agrarian literature to suggest that while Marx makes a clear technical distinction between formal and real subsumption, one need not be trapped by those two moments into missing the wider point about the ongoing incorporation of people into the circuits and logics of capital. With a somewhat broadened view of subsumption, it is possible to imagine subsumption as piecemeal, uneven, and nonlinear. It is also possible to imagine a much wider range of points at which subsumption can take place, including place itself.

This view of subsumption resonates strongly with the understanding of primitive accumulation as internal to the ongoing processes of capitalist accumulation (De Angelis 1999, 2001; Harvey 2003; Perelman 2000) that recently has become an important analytic in human geography (Glassman forthcoming). Harvey argues that the line between accumulation (M–C–M’) and accumulation by dispossession is a fine one, and constantly shifting; and that primitive accumulation is an ongoing process, internal and not just prior to the capitalist mode of production. The dual nature of this case study suggests that if these
characteristics are true for primitive accumulation, they must also be true for subsumption.

In China today, an important component of the shift to capitalism is the privatization of TVEs and the scooping up of devalued assets by nonlocal concerns—both straightforward examples of primitive accumulation. But the rubric of primitive accumulation does not necessarily capture the manner in which wage relations are emerging, a process mediated through a radical restructuring of industrial networks and the relationships between places.

**Mapping Commodity Chains**

To date there have been no systematic studies of the mutual constitution of China’s SOEs and TVEs, and of the contours and dynamics of the production networks that connect the two. Unlike existing studies, I employ an industrial sector and commodity chain analysis. Sectoral analysis is important because it captures the variations in competition, production and consumption in different industries more fully than general studies of “the market” or “the economy” (Massey and Meegan 1979; Storper and Walker 1989). A commodity chain analysis helps uncover the spatiality of these sectors, notably how the real social relations may be extended across a regional economy rather than contained within firms (Friedland 1984; Sayer and Walker 1992). This approach follows the vertical “slice” of a product from start to finish as it journeys through a particular production chain and its social-spatial division of labor (Gereffi and Korzeniewicz 1994). It considers processes within each “node” of the chain, but also highlights the “linkages” between nodes and how changes in one node affect other nodes. It further draws attention to the interaction and power relations between actors at different levels (Bernstein 1995; Friedland, Barton and Thomas 1981; Watts 1994). Because those actors are spatially situated, the approach combines well with the relational conception of space elaborated by Doreen Massey (1984, 1994) and others to provide a strong analytical and methodological framework for examining interactions and power relations between places.

My fieldwork focused on mapping the evolution of commodity chains in six sectors: automobiles, motorcycles, refrigerators, sewing machines, bicycles, and meters and instruments. In 1995 these six sectors constituted a significant portion (at least 28%) of Shanghai’s total industrial output (Shanghai jingji nianjian 1996). Each has been considered a major Shanghai industry at one time or another during, if not throughout, the 1980s and 1990s, with brand names recognized nationwide for quality.

I was introduced to a number of enterprises through scholars at the Shanghai Academy of Social Sciences, and when possible I continued...
with snowball samples. Most interviews, however, were arranged on my own, using either the Shanghai Yellow Pages or the 1995 Complete Listings of Municipal Shanghai Industrial Enterprises (Shanghai shi gongye qiye daquan 1995) to contact enterprises directly. Between 1997 and 2000, I interviewed managers at 41 urban enterprises and 96 rural enterprises and conducted an additional 44 interviews with officials of the Shanghai Municipal Government, the governments of suburban counties, townships, or villages, and local scholars. Interviews with enterprise managers focused on factory histories and the evolution of their links with other firms. Special attention was paid to the relationships between changes in subcontracting arrangements and product and material markets, labor markets, and shifts in ownership structure and government policy. I found important similarities across all six sectors, so the account here draws more heavily on similarities than differences.

Constructing the First Spatial Regime

In the 1980s, SOEs, mostly owned by the Shanghai Municipal Government, took advantage of pent-up and increasing market demand and structural holes in the planned economy to expand production above and beyond the plan (Naughton 1994, 1995). Though essentially unreformed socialist entities (Mok 1996; Weng and Yu 1997), these SOEs nevertheless comprised large pools of capital and know-how. They expanded in part by mobilizing existing pieces of the early post-socialist economy—including, very significantly, TVEs—in a form of bricolage (Stark 1996), reaching out and molding existing resources in an expansive round of geographical industrialization (Storper and Walker 1989) that tied together the city and the country. This SOE–TVE nexus cohered into a kind of stability, a particular spatial formation that continued to make profits and places from the early to mid-1980s until the mid-to-late 1990s. While relatively stable, this formation was not static; indeed, the forms taken by its growth and change eventually would play a key role in undermining that very stability.

Unlike SOEs in other parts of China, many in Shanghai were fantastically successful in the 1980s and 1990s: the Shanghai automobile sector increased production from 3356 cars in 1985 to 225,000 in 1997; the motorcycle sector went from a total of 78,249 total accumulated units between 1980 and 1984 ("Xingfu zhi lu" bianzuan weiyuanhui 1994), to more than 600,000 units in 1996; the refrigerator sector increased from less than 10,000 units in 1985 to more than 1 million units in 1995; and the bicycle sector from 2.8 million bicycles in 1979 to 6 million in 1988 (Xie 1990:3). While the ideal degree of specialization (integration or dis-integration of production) was a subject of debate throughout the socialist period, and Shanghai itself may have been more disintegrated...
than other places (Donnithorne 1967), production was still largely integrated (factories were daerquan, xiaoerquan, or, big and complete, small and complete) in the early 1980s. But as they grew—in order to grow—the SOEs established subcontracting relations with other factories. Indeed, setting up these relations often required establishing new factories, as SOEs supplied equipment, know-how, and capital to the rural producers (Huang 1990). By the late 1980s, they had developed large supplier systems, subcontracting out component production to hundreds of factories and converting themselves into large final assembly plants (which still made some key components). A careful analysis of 1995 industrial census data (included with each enterprise listing in the Shanghai shi gongye qiye daquan 1995) reveals that a significant portion of subcontracting factories were rural TVEs in the Shanghai hinterland; overall in these six sectors, there were 712 rural versus 246 urban subcontractors, or 74 and 26%, respectively. The main SOEs, urban subcontractors, and rural subcontractors each had approximately one-third of total workers, with rural subcontractors thus representing 50% of total subcontractor labor. Similarly, rural subcontractors produced 25% of added-value, which was 52% of total subcontractor production. This pattern was strongly corroborated by anecdotal evidence from interviews.

By all accounts, everyone expected rapid growth to continue indefinitely, and huge profits were continuously reinvested in expanded capacity through the addition of subcontractors. As the SOEs continued to grow, and they contracted out increasing quantities and numbers of components, the rural governments running the TVEs were more than happy to oblige. Responsible for local welfare, rural governments wanted to capture even more industrial surplus, and create more industrial jobs. It made sense for them to do so in the same sector, because they had developed the relevant manufacturing knowledge and contacts. And as the TVEs grew large, they too specialized, passing on excess work or simpler production tasks to newly created factories, often within the same township, or a subordinate village.

By the mid-1990s the expansion and consolidation of these production systems had localized and embedded a tremendous amount of production capacity within a large, agglomerated, dis-integrated production complex comprised of thousands of factories. Importantly, a significant portion of the value produced by rural enterprises remained there, circulating through rural enterprises in the form of investment in expanded capacity and capability; through local governments in the form of expenditure on new enterprises, infrastructure and services; and through workers in the form of wages and savings (the latter often recycled through the locally controlled rural credit cooperatives, in turn an important source of investment in TVEs).9 In the rural counties of Shanghai, total industrial output increased nearly seven-fold between 1980 and 1990 (Chen
1998:4), and industry accounted for a full 75% of total output (Ling 1993:15).

The whole region prospered in this rosy dawn of market-driven industrialization. A researcher working in one of Shanghai’s suburban counties reported that peasant incomes, adjusted for inflation, increased at least seven-fold between 1977 and 1995 (Wilson 1997:94). Another source indicates TVEs as the origin of 50.3% of rural Shanghai household income in 1997, larger than incomes from agriculture, urban jobs, and government and service sector jobs combined (Ju and Wang 1998:5, 7). The qualitative evidence for anyone who has visited rural Shanghai is equally convincing: large and small factories rise out of rural villages and rice fields everywhere; rural villages and townships are replete with modern new infrastructure, including paved roads, hospitals, schools, apartment buildings, and (garishly postmodern) office buildings housing local governments. Three generations of peasant housing complete the picture: low brick houses with dirt floors from the socialist period crumble beside the two-story concrete houses with windows built in the 1980s. And the latter already pale next to the three- and four-story houses of several thousand square feet, with television antennas and air conditioners in the windows, built in the late 1990s.

Crises, (Re-)Constructing the Second Spatial Regime

While there had been ongoing expansion of the SOE–TVE nexus, two crucial things had not changed: the conventions of contracting and labor relations. These were strikingly homogenous across all sectors. All evidence suggests they changed very little from the mid-1980s to their demise in the late 1990s. In interview after interview, TVE subcontractors depicted a halcyon period when they considered themselves essentially part of the SOE planned economy, even referring to themselves as “secondary SOEs” (erci guoyou qiye). They filled the orders passed down by the SOEs, according to regular monthly plans, and in turn were paid, in full, every month. They then paid their worker’s wages and benefits regularly. Market socialism was in full flower.

Most subcontractors worked for only one SOE customer (70% of surveyed factories), but the SOEs did not take advantage of this dependence. Even when duplicate suppliers were completely dependent on a given SOE, the SOE did not force them to compete with each other, or threaten to switch suppliers if they did not lower prices. By all accounts, the SOEs never pushed down subcontracting prices in spite of high profits, and they almost never switched suppliers. Everyone was happy, and everyone was getting rich.

But in the mid-to-late 1990s, the rest of China caught up with Shanghai. The shortage economy of socialism, which had provided these SOEs with a seller’s market for so long (Kornai 1980, 1992; Naughton
1995), gave way to what Chinese economists have termed a new “surplus economy” when production capacity in one sector after another caught up with and surpassed demand (Qin 1999; Zhang and Bao 1999; Zhongyang gongye fazhan baogao 1999; Zhu 1998). Suddenly nothing was in shortage, price wars ensued, and real market competition became the rule. So comfortable for so long, the Shanghai production systems—an important component of which was constituted by their interfirm divisions of labor—had not been changing. Unable to compete with cheaper, more flexible start-ups in other parts of China, they could no longer sell their products. The market was no longer their friend—nor the friend of lingering socialist relations of production.

As crises hit each sector, the SOEs at the top of the production systems did not react at first, as if in shock. When they did respond, their actions drove the restructuring of subcontracting relations—which simultaneously constituted a fundamental reworking of rural class relations, rural localities, and the very fabric of the urban–rural relationship. These restructurings would cohere into a new, though shakier, stability or somewhat institutionalized set of practices by the end of the 1990s, a second spatial regime that differs remarkably from the first.

The first response by the SOEs was to reduce production, and then to delay and reduce payments to their subcontractors. The multitude of subcontractors—the huge build up of capacity during 10 years of steady growth—now represented a glut. In a sharp and sudden break from past practices, the SOEs began taking advantage of multiple, dependent subcontractors. They ruthlessly forced down prices and started to switch—or at least threatened to switch—to cheaper suppliers (often privately owned factories in other provinces). This was something they had seldom, if ever, done before. These actions reverberated down the commodity chains, with dire consequences for subcontractors. Some were able to keep their places in their commodity chains, but only on drastically different terms. Others, either unable or unwilling to accept those terms, or more often simply left completely without work, were forced to seek new opportunities. In a harsh market flooded with a glut of desperate subcontractors, many enterprises simply languished with no work, while those that found new opportunities were forced to accept terms that were much worse than before.

As production decreased or trickled to a halt, many SOEs and TVEs simply languished. Subcontractors tried to look for new business but did not know how, having always relied on one customer. Data I generated on nearly 500 enterprises strongly suggest that between 60 and 70% of the rural subcontractors in these six sectors were essentially bankrupt by 1999. Many of these, in the local slang, were “stopped” or “half-bankrupt”, meaning that they still existed, but had nothing to do. Their managers were desperately seeking new business, adding to the cut-throat environment, and their peasant workers were cultivating their...
fields, living off savings, and seeking urban jobs. The Shanghai countryside in 1999 was littered with padlocked factories, their gates rusting and tall weeds growing up through their driveways. I interviewed managers in dusty meeting rooms in empty factories. Localities that had specialized in a particular sector seemed to be hit the worst. Daytime streets that would have been deserted a few years before, with everyone working in the factories, were now filled with people playing cards and gossiping.

TVE subcontractors under SOEs that continued to produce (reduced amounts) had to fight desperately to hold on to their business, due to competition from cheaper private enterprises in neighboring provinces. TVEs were more expensive than private enterprises because of their high social burdens: owned by local governments, they were obliged to provide for large numbers of local resident peasant/workers. Like SOEs, they provided various social welfare benefits associated with the “enterprise running society” philosophy (qiye ban shehui), including operating worker cafeterias, nurseries, and clinics, and supporting retired workers. This local welfare logic bloated the payrolls, as well. Many managers reported being obliged to retain large numbers of surplus local workers, and many TVEs became top heavy. One manager complained that by the time his TVE went bankrupt, there were only 100 workers out of several hundred people: “too many managers, not many workers. It was a case of there not being enough gruel to go around for so many monks (seng duo zhou shao).” When TVEs did lay off workers, many had to pay fees (xiagangfei) of up to 150–200 RMB per month per worker. Conversely, private enterprises can hire and fire workers at will, are not required to provide social and welfare supports, services and benefits to their workers and to the locality, and are free to hire cheaper nonlocal workers. Enterprises I interviewed reported average monthly TVE wages of 700–800 RMB (US$85–95) plus benefits, whereas private enterprises paid less than 500 RMB per month and few benefits.

Private enterprises were systematically discouraged and almost nonexistent in the Shanghai region as late as the mid-1990s (Whiting 1999:193–194; Xie and Ling 1994:32). In 1997 a top official from the Shanghai District and County Industry Management Bureau told me that almost all of Shanghai’s industrial output was still produced by either SOEs or TVEs. Industrial census data from 1995 strongly agreed: in that year, 13.4% of listed enterprises in these sectors were private, ranging from 9% in the bicycle sector to 15% in the automobile and motorcycle sectors, but they represented only 1–1.5% of the total labor force and 0.28–0.46% of total turnover in the six target sectors (Shanghai shi gongye qiye daquan 1995). By the late 1990s, however, most managers pointed out that a growing proportion, and indeed a preponderance, of subcontractors in these sectors were now private enterprises. They were quick to point out that they were not consciously switching
The Subsumption of Space and the Spatiality of Subsumption

subcontracting relations from TVEs to private enterprises; rather, most of their private suppliers used to be TVEs that had since converted.

Given the widespread sectoral downturns, many local governments were unable to continue to shoulder accumulated burdens, and were forced to divest of bankrupt and “half-bankrupt” enterprises by closing them or selling them to their managers or outsiders for devalued prices. Concomitantly, as the SOEs switched and threatened to switch to cheaper suppliers, many localities actively converted enterprises, shaking off social burdens and enabling the transformed enterprises to maintain their places in their networks. Either way, a cascade effect drove widespread TVE privatisations.

One of the principal effects of this was to rework rural labor relations. Many enterprises were purchased by their managers, but urban and foreign capital also swooped in to purchase defunct enterprises at wildly devalued prices. Regardless of ownership, the new private enterprises now re-hired a few local workers with special knowledge and skills for reduced wages, and hired nonlocal workers for the rest, at much lower wages with little or no benefits. Labor felt the harsh new discipline of the market and wage relations became generalized for the first time.

Finally, the delay of payments to subcontractors became regularized, which served to reinforce the new regime. As the cash-flow situation of the SOEs worsened, they made increasingly late and partial payments, until many were months and even years behind. Efforts by subcontractors to collect typically ended in frustration. Court action was deemed costly, time-consuming, unlikely to succeed, and likely to give one a bad reputation in the sector. The only real way out was to stop producing for the SOE in question, to escape dependence on a particular SOE. But for most enterprises it was difficult to find new business, and they were stuck with their old partner and increasingly unfavorable payment terms.

Market relations now meant that small subcontractors were trapped by debt in exploitive subcontracting relationships with large enterprises. A typical example is a TVE that produced metal electrical meter casings for Shanghai SOEs since 1980.

The last few years there is a lot of competition. In total, ten SOEs owe us more than 2 million RMB. But we keep supplying them because we have to—if we do not fill orders for them, someone else will, and they will not pay at all. Each time we deliver an order, they pay us for the previous order, so we always have a large sum of money stuck there with them. If we do not fill the next order, we will not get paid for the last order, the one we already filled. We also want to eat rice. We have already delivered the goods and there is no way to get them back. So even when we deliver the second round, and they do not pay...
us for the first, then we still have to give them the second delivery, because we have already spent the money to make it. And since it is made to their specifications there is no other market for it, so if we do not give it to them there is no hope we will get the money from the first time, let alone the second time. There is nothing we can do about it.

A second tier subcontractor in another sector explained that:

large factories take advantage of the capital of small ones—they do not pay until a year after receiving the goods. Subcontractors in Shanghai do not have any way out, they have to do it this way. If you want to have rice to eat then you must produce, so once subcontractors enter they cannot get out. Large factories are only concerned with their own survival, and do not pay any attention to the subcontractors, because there are a lot of subcontractors available. Under these circumstances, from the point of view of getting money (zhengqian), producing is better than not producing, but if you look at it from an economic point of view, sometimes it is better not to produce than to produce. A lot of the time you are losing money when you produce, but you must. In the past, TVEs could generally make money, but now, it’s not bad if you can just break even.

What had emerged by the end of the 1990s was an utterly new countryside. Thousands of once-successful TVEs had been closed or privatized, their local residents thrown out of work in favor of cheaper workers migrating from poor inland provinces. The old SOE–TVE nexus that allowed localities to retain significant industrial surplus value had been swept away (the notable exception being remnants in the automobile sector), along with the rural labor regime that provided peasant workers with good wages and substantial social and welfare benefits. Lingering TVEs or newly converted private enterprises, if they can get new business, are often reduced to producing at or below cost, and subsequently trapped in cycles of debt. A vast surplus army of rural workers and factory units waits to take their place if they decide to exit an undesirable relationship.

Except for some of the private enterprises that make it through the current hard times, there are likely to be few locals with control of or access to the resources necessary to take advantage of the next upswing. More often than not the source of new investment is urban rather than local: already, urban capital is sweeping through the distressed countryside in waves, taking advantage of the new economic landscape to scoop up manufacturing equipment, factory facilities, and skilled and experienced labor at far below their production costs, and hiring cheap labor to fill in the gaps. Whatever profits are made are remitted to the urban sources of the investment, while the countryside is left with greatly
reduced income from low wages, low rents, and whatever enterprise taxes local governments manage to collect.

**Conclusions and Implications**

Nested crises of over-accumulation of capital resulted in shifting the dynamic time–space horizons of sectoral competition (Harvey 1989; Schoenberger 1997). Local sectoral crises forced desperate SOEs to exert tremendous pressure on their subcontracting systems, which in turn drove the restructuring of those networks. The direction of this restructuring was shaped in fundamental ways by the spatial and material contours assumed by the first regime, or round of geographical industrialization, as the glut of subcontractors enabled the shift to a second regime. This stark shift from one subcontracting regime to another entailed and embodied a complex re-ordering of time and space. Time was reordered: the lengthening of payment times represents a reworking of the temporal horizons of capital to meet the needs of large enterprises in a new and much more competitive environment. While delayed and partial payments mean slower and less convenient cycles for smaller capitals, they mean quicker and more convenient cycles for larger capitals. Faster turnover cycles can generate profits as surely as higher rates of exploitation (Harvey 1989; 1999).

This retemporalization of the circuits of capital cannot be separated from the concomitant respatialization of these circuits. In its most overt form, respatialization occurred when the beleaguered SOEs started to switch to cheaper private subcontractors in other provinces, thus breaking out of the heavy local concentration. But the most important changes were not the respatialization of those subcontracting relations, as much as a reworking of the spaces of these relations. In huge numbers of cases, place was transformed as the spatial relations between places were reworked, that is, as rural localities turned themselves inside out just to maintain their hitherto profitable but now drastically altered relations with urban capital. This capture of the country by the city—the reworking of a spatial relationship—was itself a fundamentally spatial process.

This reworking of the spaces of subcontracting relations in an important sense took the form of widespread enterprise privatizations, an enclosing of a previously quasi-socialist commons that clearly constituted primitive accumulation of capital, or accumulation by dispossession. But just as importantly, they were effectively a reworking of the capital–labor relation, mediated through the regional division of labor formed during the first round of geographical industrialization in the 1980s, and perhaps better captured under the analytic of subsumption of labor. The two successive spatial regimes of the urban–rural division of labor can be likened to formal and real subsumption, respectively: the first
regime grew up in the context of the still un-reformed planned economy, reflected many of its practices, and represented the moment when the countryside began to work for capital rather than itself. The social relations of this relatively extensive regime of accumulation were later swept away, as rural labor, enterprises, and localities were brought in to a more intensive relationship with urban capital, as capital actively stepped in to rework the countryside. But it is only logical to assume that this will not stop here. Just as there is no such thing as absolute efficiency, and the spatio-temporal horizons of capitalist competition are constantly shifting (Harvey 1989; Schoenberger 1997; Storper and Walker 1989), so will the manner and degree of subsumption continue to change.

Acknowledgements
I would like to thank Richard Walker, Gillian Hart, Michael Watts, Tom Gold, Bertell Ollman, David Harvey, Gordon Clark, Mark Selden, Vivian Wang, and the reviewers for helpful comments on various versions of this paper. Funding for fieldwork was generously provided by the Social Science Research Council, the National Science Foundation, and the Committee for Scholarly Communication with China. I am especially grateful to all those in China that shared with me their knowledge and experiences.

Endnotes
1 In using the word “transition” I am in no way implying any kind of straight-line, teleological transition from socialism to capitalism. The processes of transitions themselves are too varied, the outcomes too varied, and more to the point, there are no fixed endpoints or outcomes. Please see the first section for fuller treatment. For an excellent discussion, see Verdery (1996).
2 While the central government was willing to experiment with the south coast, it was much more cautious with its industrial heartland: profits from Shanghai SOEs were one of its single most important sources of revenue (Ho and Tsui 1996).
3 Many thanks to Bertell Ollman for suggesting this use of vantage point to distinguish these moments (see Ollman 1993).
4 For one exception see Christiansen (1992). Numerous studies exist of industry in China or Shanghai, but they tend to focus on enterprise by type (Guthrie 1999; McNally and Lee 1998; Whiting 2001), particular sectors (Dong et al 1999; Harwit 1995; Liu and Jiang 1996; Sit and Lu 2000; Yang 1995), or the larger regional economy (Jacobs and Hong 1994; Mok 1996; Sung 1996). A few recent case studies, notably by geographers, have begun to apply business network analysis to SOEs, but focus primarily on the extent of networks (Li 2002), or the localization of MNC supplier networks (Yeung and Li 2000), rather than the conventions of daily operation.
5 This is even more salient than usual with China’s SOEs and TVEs, which are by definition part and parcel of particular places.
6 With the following sectoral, urban/rural distributions: automobile 7/31; bicycle 3/18; meters 4/8; motorcycle 7/14; refrigerator 11/12; sewing machine 2/10; and other 7/3.
7 Sectoral differences will be treated more fully in future publications.
Rather than a structure, or a reified entity now removed from the processes of its own becoming, I mean this in the sense of Harvey (1996), Thrift (1996), and even Latour (1993).

The literature on this is immense. See Oi (1999), and Byrd and Gelb (1991).

Though some non-local suppliers were being replaced by local ones. I supply no quantitative data here because literally all interviews provided the same account.

Large enterprises at or near the first tier in the automobile sector fared well, due to high asset specificity, high capital and know-how barriers to entry, and the relative modesty of the downturn in that sector. But the experience of most automobile subcontractors at or below the second tier was essentially the same as subcontractors in other sectors. Based on my experiences trying to contact nearly 500 of the 958 total listed enterprises in these six sectors. Many phone calls did not lead to formal interviews, but did provide opportunities to gather rudimentary data through short discussions.

References
Glassman J (forthcoming) Primitive accumulation, accumulation by dispossession, accumulation by “extra-economic” means. Progress in Human Geography


“Xingfu zhi lu” bianzuan wei yuanhui (1994) *Xingfu zhi lu: Shanghai—Yichu motuoche youxian gongsi shi nian fazhan shi [Xingfu’s Road: Ten Years of Development History of Shanghai—Yichu Motorcycle Corporation]*. Shanghai: Shanghai yuandong chubanshe