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SCRUTINIZING URBAN DEVELOPMENT IN  
LOCAL CHINA: FINANCIALIZATION, LAND  
ACQUISITION, AND RESIDENT RESETTLEMENT

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Scrutinizing Urban Development in Local China:  
Financialization, Land Acquisition, and Resident  
Resettlement

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requirements for the degree of Doctor of Philosophy

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## **Abstract**

Under the current climate of pushing the “national new-type urbanization”, prefectural governments in China are urged to promote economic growth and wealth accumulation through a chain of land-centered urban development activities comprising of infrastructure construction, real estate development, and financialization of land development. This means that in order to make way for rapid urbanization, land located in rural-urban fringe areas has been appropriated and old houses demolished, resulting in large groups of rural and urban residents evicted. Many of these evicted residents have little option other than to strive for expected compensation from relevant demolishers and developers. Prefectural governments that have to conform to the national directive to expand their urban domain are also caught in the same conundrum in finding extra resources to make compensation payments for the evicted residents. Seen in this context, state-private joint ventures make perfect sense as they can inject necessary cash for prefectural governments to meet their construction costs as well as paying off the evicted residents while developers would also profit handsomely from the various privileged profit-earning opportunities provided by governments.

Apart from consistent pursuits of and considerations over possible opportunities of expenditure saving in resident relocation, prefectural governments also need to take into account regional conditions of the primary land market, land-centered financing approaches, and relevant taxes revenue that can be generated from specific local chain of land-centered urban development. These factors can be seen as major income sources that have been often maximized by prefectural governments within specific context-based process and operational chain of land-centered urban development. They are also important driving forces and incentives behind those prevalent government behaviors in phenomenal urban expansion and infrastructure construction

Even though there is abundant literature in each of these research areas including resident relocation, local land market, land finance, and relevant tax income, there have been few studies that have linked all of them together to seek for a comprehensive analysis not only from the perspective of prefectural governments, but also from those evicted local residents involved in the benefit redistribution process of land-centered urban development.

This research is an exploratory study of municipal practices and context-based frameworks of land-centered urban development, financialization, and resident relocation. The study reveals three major aspects of the research findings through empirical investigations. First, context-based institutional settings and arrangements can play a significant, or even decisive role in municipal practices and processes of land-centered urban development in prefecture-level cities. These particular context-based institutional settings are often based on historical reasons, context-embedded scenarios, and political causes, any of which can be unique to specific municipal contexts. Second, under certain circumstances, local context-based state-private joint ventures in resident relocation can evolve into a benefit-redistribution event that have not only benefited prefectural governments and private sectors, but have also brought wealth-increasing opportunities for evicted rural residents who lived in inner peri-urban areas. Third, a typical municipal process of land-centered financialization comprises of four different components, each of which signifies a specific area of land-related business dominated by prefectural governments. Among them, the most productive one is still the process in which state-funded city investment companies dominate urban infrastructure constructions by means of land mortgage loans generated upon urban land parcels given by prefectural governments. The sustainability of this mode has already been challenged by excessive provision of urban land parcels donated by prefectural governments and consequent decreased amount of land mortgage loans that can be obtained through land mortgage.

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## Abbreviation

BLR- The municipal bureau of land and resources	市国土资源局
LRC- The municipal land reserve center	市土地储备中心（市国土资源局下属事业单位）
LMC- The municipal land management committee	市土地储备（管理）委员会
BUP- The municipal bureau of urban planning	市城市规划局
BHUC- The municipal bureau of housing and urban-rural construction	市住房与城乡建设局
HPB- The municipal housing property bureau	市房产局
MFB- The municipal finance bureau	市财政局
MTB- The municipal tax bureau	市地方税务局
MAB- The municipal audit bureau	市审计局
MDRC- The municipal development and reform committee	市发展与改革委员会
MOR- The municipal government's office of residential relocation	市政府拆迁安置办公室
ACR- The approval committee for construction of relocation housing	安置房建设审批委员会
ULUT- Urban land use tax	城镇土地使用税
LVIT- Land value increment tax	土地增值税
FOT- Farmland (arable land) occupation tax	耕地占用税
DT- deed tax	契税
BTL- Business tax relevant to land use rights transfer	土地流转产生的营业税
BTCCR- Business tax relevant to the industries of construction and real estate development	建筑业和房地产业产生的营业税
EITCR- Enterprise income tax relevant to the industries of construction and real estate development	建筑业和房地产业产生的企业所得税
BPT- Housing property tax	房产税



# **Chapter 1**

## **Introduction**

### **1.1 Research Background**

During the past three decades, almost all countries and regions around the world have either experienced or witnessed the spread and diffusion of neoliberal economic policies, which were accompanied by neoliberalism in ideological realm. This process can be regarded as one of the most important events in recent globalizing period after the old eras of welfare-nationalism and state capitalism. Even different countries and regions of the world had different historical trajectories of economic institutional transformation and political-social ideological superstructure, they have been pushed into a globalizing era dominated by the institutional pressure from what Stephen Gill (1995) called “neoliberal market civilization”.

This global-scaled transition to the neoliberalism paradigm, according to related summaries (Gill, S., 1995; Zhang, Y., 2012), includes dual impacts- in terms of both state institutional transformation and cultural and ideological influences. In the first realm, many developed capitalist countries have chosen a more “decentralized” and “liberalized” state policy paradigm, after many historical disputes such as: Liberalism VS. Conservatism in the USA, Social democratic welfare-nationalism and the Third way approach VS. Conservative parties in the Europe. These countries have also been concentrated in how to define the role of government, as well as the degree of government intervention in economic management and social life (e.g. state interventionism VS. laissez-faire capitalism).

The formation of the 1989 Washington Consensus reflects the predominance of

neoliberal policy regime in the western developed world and its alliances, which advocates a series of practices including property privatization, economic deregulation, governance decentralization, trade liberalization, and market competition led by technology innovation, has secured market rationalization over all other forms of organization along with a limited but indispensable role of state in securing both the areas of market failure and private property. This neoliberal policy regime of economic and political paradigm, as the economic institutional base, has also led to correspondent cultural perspective which is pragmatic, materialistic and “me-oriented” and which has been currently developed into a cultural mainstream prevalent not only in the western developed world, but also the rest of the world (Gill, S., 1995).

The diffusion process however, of the neoliberal paradigm’s dual impacts in some countries varied significantly compared with that in the western capitalist countries, and this is, generally, due to different combinations of national or regional historical contexts, local political institutional conditions, social and cultural embeddedness, and people’s specific perceptions and assessments toward neoliberal policy adoption. Zhang, Y. (2012) summarized some of the mediators including national institutions, culture local institutional dynamics, and “people’s perceptions and assessment of their own economic problems”, which contribute to the cross-national highly uneven transition processes to neoliberalism. In policy implementation realities, these transitioning processes evolve in such complicated and ambiguous ways in some cases that the so called “neoliberalized economic conditions” or “neoliberalized sociopolitical systems” deviate too much from rigid understandings of the orthodox neoliberalism or the neoliberal policy paradigm, causing a question of whether or not such economic, political, and social institutions can be still interpreted or defined as “neoliberal”.

As late comers of neoliberalism-led globalization and economic development, many Asian countries; however, did not replicate the “conventional wisdom” of urban

development, which has been developed by western capitalist countries to assume global urban development convergences. Instead these countries moved to learn from the experiences observed in North America (Lin, 2012), and created their own homemade patterns and processes of urbanism as ways of modern lives. This has facilitated not only a reshaping process of the Western urbanization model from the West to the East (Kundu, A. and Kundu, D., 2010), but also a global divergence rather than convergence in pattern and process of urban development.

Contemporary neoliberalism is often believed to have originated from the Anglo-Saxon world in the early 20<sup>th</sup> century. The key conception of neoliberalism entails certain degree of market civilization reemphasizing the modern free market regulated by the “invisible hand”, which has been asserted by classical economics (Harvey, 2005; Peck & Theodore, 2009). Driven by China’s Communist Party’s need to maintain its political dominance and dictatorship over the country, the leaders of China’s party-state chose to utilize the market-oriented ideology as the fundamental policy paradigm of the 1978 economic reform, with the aim of reviving the fragmented national economy harmed by the 10-years chaos caused by Cultural Revolution. From then on, a distinct type of modern market civilization which is officially named “socialist market economy” with Chinese characteristic, arose to form in this hard authoritarian state where it brought correspondent political, social, and cultural changes. These institutional changes have contained strong similarities with what Peck & Theodore (2009) called “actually existing neoliberalism”.

When the Chinese type of gradual marketization model has been adopted through the development regime of urban landscape transformation, which has become the strategic focus of the party-state since the 2000s, Chinese cities has experienced a new round of transformation with remarkable scale and speed that were unprecedented in China’s history after the Song dynasty. The urban transforming process driven by the sustained economic growth has witnessed varieties of reshaped urban spaces with large influx of urban population as the labor forces, which enable Chinese cities at

different scales to become spatial containers for the rapid economic expansion, bringing prominent changes on urban economic structure, urban functions, and urban scale toward land use and construction, and urban life style (He & Wu, 2009).

In terms of urban function, the post-reform institutional changes have fundamentally transformed the role of cities, from centers of industrial production into both key institutional arenas in which the party-state's political strategies and policy experiments are implemented, and multiple-functional units in which commercialization, cross-culture integration, and varieties of urban services are archived. With the impact of dramatically increased urban population since late 1990s, urban scale of Chinese cities has been dramatically expanded into rural land areas because of the national strategy of urban expansion as a way to accommodate the increased rural exodus (Wu, 2007). The newly added urban and suburban spaces resulted from urban expansion have become, on one hand, mixed-used spaces with high urban population density, clear residential segregation, and prominent urban marginalization toward accommodation and life circle somewhere; and on the other hand, construction and reconstruction sites in which local state has employed competitive strategies of place-making and place promotion, to enhance local economic development and strive for individual political reputation (Lin, 2010; 2011b).

In terms of historical traditions of urban planning and urban spatial structures, Asian countries are historically different to Western developed countries. In Western developed countries, there were decentralized and zone-oriented urban planning traditions, which favored clear divisions among different urban functional regions including commercial districts, industrial zones, local residential settlement and other areas. In many Asian countries, intensive and high-density mixtures of different land use and various urban forms, together with urban unplanned haphazardness and centralized city-core functions are the main characteristics. This explains why in these countries, there were no clear separations among commercial districts, industrial



estates, and residential built-ups, retails, and other urban spatial forms (Kaya, Y., 2010). In China's urban planning realm, the post-reform institutional changes have absorbed the zone-divided urban spatial structure of western urban planning traditions into China's current urban planning practices, transforming the previously standardized urban space into hybrid juxtapositions of many different types of places that are zone-divided but still mutually embedded (Lin., 2007).

Unlike the neoliberal urbanization path in the west, China's contemporary urban development model depends less on professional urban planning layout rather than on government policy agendas. Even with the changing policy climate, the party-state's assessment criteria of political performance evolved constantly from purely economic growth (GDP-oriented) approach into multiple-dimension assessments due to the awareness of sustainable development, the policy doctrine of "centering on economic development" remains a top political priority for many inland cities' local governments at municipal level and below. Under the political institutional context of tax-sharing system and financial power localization, this ideological doctrine has led to a series of land-centered policy implementation imperatives in local state's urban development practices including land finance, urban capital accumulation, and local strategies of place promotion and place marketing (Zhou L, 2004; 2007).

## **1.2 Key Features of Contemporary Urban development in China**

Even with relatively restrictive policies regarding demography and migration, the growth of China's urban central areas in the last two decades has been unprecedentedly rapid and even faster than the nation's industrialization process (Lu, et al., 2007). According to the National Bureau of Statistics of the PRC (2013), in 2012, China had a total number of 289 cities at the prefecture level and above and a total urban area of 183,039.4 square kilometers with an urban population density of 2,307 persons per square km in urban areas. City Mayors (2012) reported that China's urban population reached 600.9 million in 2010, which accounted for 44.9% of the

total population at that time, and it was estimated that in 2030, the percentage of urban population will increase further to 60.3% of the total population. The United Nations was even more adventurous in its estimation towards China's urbanization, claiming that as early as in 2025, the urbanization rate in China will reach 60%, i.e., more than doubled over the past thirty years (UN, World Urbanization Prospects, 2011). If the UN's estimation is correct, it will take China only 45 years to increase its percentage of urban population from less than 20% of the total population in 1978 to 60% in 2025, which took England and Wales 90 years to achieve (Lin, 2011b).

China's urbanization path and contemporary urban development mode have been distinctive from those in other Asian countries and the rest of the world. First, today's China is still going through a period of extraordinarily rapid urbanization with many cities expanding continuously while the rate of urbanization in most other Asian countries has slowed down (Chan and Shimou, Y., 1999; Kundu, A. & Kundu, D., 2010; Wang, Wang, & Wu, 2010). Not surprisingly China has the largest urban population and one of the highest growth rates in urban population among other Asian countries (World Bank, 2012). Second, unlike Indonesia, Myanmar, and Cambodia, and other Asian developing countries which demonstrated bigger urban-rural growth differentials only when they were less urbanized, China still posts high rates in urban-rural growth differential when most of Chinese cities have been experiencing great urban transformation process, which can be regarded as a key indicator for urban exclusionary growth, spatial inequality, residential marginalization, and regional variation (Kundu and Kundu, 2010).

In terms of urban spatial form, China's contemporary metropolitan space is characterized by a hybrid and mixed juxtaposition of various urban spatial development patterns, including spaces for urban capital accumulation, urban consumption, technical innovation, and most visibly, residential differentiation (e.g., the emergence of luxurious villas, gated communities and inner city villages on the one hand, and the congregation of migrant enclaves on the other hand) (Lin, 2007; Lin,

2011b). Urban space is likewise unfolding between the upper-class and under-class with “imposed” gentrification, modern urbanism, and unequal spatial distribution of urban infrastructure and public services (Lin, 2007; Lin, 2011b).

The fundamental determining factor of China’s urbanization path differs from western countries lies in the particular Chinese form of state engagement. The impact of China’s political force on urban development and urban planning is more influential and decisive than those in other countries. In China, central state and local state are both key institutions in China’s urban development model. Each of them has their own particular duties in shaping and transforming China’s urban development landscape. The central-state works as the central authority to make urban policy decisions and plans including but not limited to: deciding and overseeing investment and construction requirements of large-scale urbanization projects as national strategy for maintaining the nation’s economic development, continuously restructuring institutional settings for urban capital mobilization and exchange, and coordinating and compromising with the interests of global markets forces in order to reinforce the nation’s global competitiveness. At the same time, part of its duty is to make national and regional strategic plans regarding how to position, manage and ensure urban stability and sustainability for specific cities to respond to potential rural exodus and set up public security network (Lin, 2007). More importantly, the central state is also responsible for controlling and regulating local land markets through various taxation devices.

Since Premier Zhu Rongji implemented the central-local tax division system to boost China’s political restructuring of fiscal decentralization in the last decade of the 20th century, the local-state has come to play an indispensable role in urban development affairs, for both public urban infrastructure and commercial real estate. The political institutional change enabled China’s local state to accumulate large amount of urban capital through using both capitalist and authoritarian approaches to dictate land use. As both land use regulator and land user, the local-state is not only dominant in

deciding the way of how to develop and regulate local land system through interpreting local political institutional contexts (Lin, 2009; Hsing, 2010), but is also active in manipulating a property-led development approach thorough authoritarian adoptions of land acquisition, land development, and land use transfer. With both political and economic incentive, the local-state is also keen on making place promotion strategies in order to attract private social capital into various urban development projects, as a way to accumulate urban capital. Various land use-based fee charges in forms of land conveyance fee, land usage upgrade fee, and other land-related incomes generated through “exploiting” private land users increase local state’s budgetary revenue and off-budgetary income, bringing incentives for local state to further develop urban infrastructure to attract more capital investments, which entails the formation of the development logic of “land finance” and “local state corporatism” (Ma, 2002; Zhou, 2013).

Many authors have described the importance of state-society relation in demonstrating China’s urban development model (Lin, 2007, 2011; He & Wu; 2007 Hsing, 2010; Ley, D., & Teo, S. Y., 2013;). Unlike China’s state-market relation that experienced drastic transformations during the past 30 years, state-society relation in China has always demonstrated “a well established Chinese tradition” in which a relatively weak society is accompanied with a strong state, and in which “state authorities, community interests, social order and harmony are more highly valued than individual freedom and fairness” (Lin, 2011b). According to Lin (2007)’s discussion towards the process of how China’s urbanism has evolved from Mao’s socialist China to today’s post-reform era, the reformulation process of state-society relations since the last decade of the 20<sup>th</sup> century was characterized by comparatively reduced state control on one side, and increased social flexibility on the other. Because the strengthening market force broke the pre-existing dual structure of state-society relation paradigm. Compared with the past, China’s local community and society has not been put into such a passive position that is tightly controlled by an overwhelming state. The state-society relation become bilateral to a certain extent because different social

classes gain more flexibility to have their voices heard.

This however, is only one side of the story. Most reduced state interventions have been taken within people's ideological sphere and urban social lives. From the beginning of 1978 economic reform to now, central and local state in China always have firmly controlled urban land use, urban spatial planning, urban space destruction and reproduction, and inter-city social mobility, in order to keep the city economically competitive and maintain urban social stability (Lin, 2007; 2011a). Specifically, local municipalities in China are not only able to decide which specific urban space requires reproduction and redevelopment, which private sector is to be selected for state-private collaboration in conducting urban development projects, and where to locate the correspondent residential resettlement, but also they have the local legal autonomy to use enforcement power over related implementation activities, like building destruction and housing demolition.

The newly reshaped state-society relationship in local China evolves with two causes. Firstly, due to the economic and political incentives to enhance place competitiveness, as well as the policy imperatives of "national new-type urbanization strategy" arranged by central party-state, officials charged in local state municipalities have been urged to employ urban scaling strategies of place-marketing and place promotion to capture domestic and foreign investments and fix them on their own local landscape, which have resulted in large-scaled transformation of urban infrastructure and commercial property built environment (Lin, 2007). Secondly, in the inner city area where lots of old communities and neighborhoods exist, construction of modern urban infrastructure, creation of gated communities, and other types of urban space reproduction have inevitably involved the destruction of evicted residents' living places in order to make way for speculative redevelopment, urban capital accumulation, and mega infrastructure projects, which entails grassroots society's resistance and varieties of benefit-making countermeasures in their response to related demolition initiatives (Hsing, 2010). Therefore, both local state and the

evicted grassroots residents need to reconcile and find a way to balance each other's interests when both of them are keen on minimizing the cost and maximizing their possible benefits at the same time.

The evolution of China's urban state-society relation involves with not only a politics of resistance from grassroots society which aims to protect and maximize their possible benefits (Hsing, 2010), but also particular forms of state-private collaboration since local state often has specific incentive to engage private enterprise in financing, constructing, and operating the urban infrastructures and residential resettlement projects which had been supposed to be provided by government out of general taxation in the perspective of Paul. A. Samuelson. Likewise, a local private enterprise is not likely to be interested in pursuing their mutual advantages if the pay is not attractive enough for it to participate in providing government services. Like the PPP (public-private partnership) form developed from the westernized experiences of "new public management", China's local adoptions of state-private collaboration are also often used in providing public goods and government services. In China however, the particular adoption form of state-private collaboration is very flexible and locally-varied, and the actually-existing state-private collaboration depends a lot on the social connection ties between the key persons charged in the two parties. The in-depth differences between them form one of the research objectives of this study.

Another interesting thing is that China's urban development model has evolved with remarkably increasing market openness and urban property privatization while still being constrained by the politically rigid and authoritarian urban governance system (Zhang, Y., 2012). That is to say, China's urban development model has included, to a certain extent, an integration of two seemingly contradictory institutions: authoritarian urban management and market-driven urban property privatization, which cannot be appropriately interpreted by what Lin (2010, 2011a) defined as "conventional wisdom of neoliberalism" proposed by advocates in western countries.

China cannot wait to build its new cities. With its national developmental ambition, China's real estate market now has become the very reason for pushing more and more people into urban centers in the next decades. There are however, voices against the urban development approach. Critics have argued that although the current urban development system has brought rapid growth in the urban economy, it is far too dependent on power-led implementation and land-centered accumulation (Lin, 2009; 2011; Ren, 2006; Wang, 2009). Besides, there are also concerns and doubts over the evicted residents in both urban and rural areas, which have been affected by the expanding urban development projects, with many researchers (Ren, 2006; Kundu and Kundu, 2010; Hsing, 2010) recognizing the deprived spatial justice and many other possible losses of evictees.

### **1.3 Aims, scope, and objectives of this study**

The scope of this study includes local political structure analysis, especially focuses on what Hsing (2010) called "the kuai system" that plays a central role in local state-society relation in China's prefecture-level cities. The kuai system in different local municipal contexts can be divided into two parts- one is more regular and stable, the other is more locally varied and unstable (Hsing, 2010). The former one refers to local state's land-use control system and urban development control system, which have been discussed in many literatures specifying how these two key local institutional settings interacted with market actors (Wu et al., 2007; McGee, 2007; Lin; 2009; Hsing; 2010). Nevertheless, the latter one has been seldom specified by extant literatures probably because this part of the kuai system manifests little consistency among different municipalities.

Apart from the two regular local state-controlled urban development systems- land use control system and urban development control system, there are varieties of state subordinate units in the kuai system, which, in specific circumstances, could be important stakeholders in China's urban housing development (Hsing, 2010). These

state subordinate units include, but not limited to coordinating agencies, special task forces and function groups set up by local state, municipality-invested bodies, all of which are varied by different local conditions and contexts. Summarizing the possible affiliations of different state subordinate units in different local contexts could be a complicated task. Some local state subordinate units may represent for the municipality's financial and political interests, for others, they may represent for the interests of district government, county government, or even local state enterprises. Related extant literature is insufficient to cover all types and categories of so called "state subordinate units" in China's urban development realm and no one has questioned which particular category of state subordinate units may exert more influence on China's urban development model. So exploring and identifying context-based local institutional settings in charge of urban development in local China becomes one of the research objectives.

It should be noted that urban development in China's local context has also been deeply influenced by the central government's intent, especially in current policy climate in which the political trend of re-centralization prevails. Central government retains the approval rights over the most important resource for local government in urban development process- land. Article 44 and 45 of the Land Management Law have specified all the related conditions in which the disposal and expropriation of the three main types of land in China- farmland, construction land, and unused land, are required to be approved by the State Council and Ministry of Land and Resource, which, are at the top administrative level of what Hsing (2010) called "the tiao system" towards China's urban development. To sum up, when local government deals with large urban infrastructure needed for construction land, expropriation of basic farmland and the general plans for land utilization, they need to apply for relevant legitimated approval from central government.

Also according to the same articles of Land Management Law, apart from the specific conditions in which the disposal and expropriation of the three main types of land in



China are required to be approved by the State Council and Ministry of Land and Resource, all other circumstances of land expropriation and land to be occupied for construction purposes need shall be approved by local government at provincial level (including provinces, autonomous region, and municipalities directly under the central government). That is to say, in China, municipal governments at the prefectural level are legitimately required to apply for administrative examination and approvals made by provincial land and resource bureaus, at least, when they are in need of sufficient construction land quota used for agricultural-construction land conversion that is imperative for local urban development. Since the supply of the construction land quota is often tightly controlled by provincial land and resource bureaus, municipal governments at prefectural level need to pay administrative charges in order to strive for sufficient land quotas for agricultural-construction land conversions. These are the land-oriented interactions between prefectural governments and provincial and central governments.

The scope of this study focuses on scrutinizing case-based practices of urban development, land-centered financialization, and resident relocation in Chinese cities at prefectural level. The land-oriented interaction between prefectural governments and central government and the land-centered government revenue distribution between prefectural municipalities and provincial governments, which is featured by the exchange of land administrative fee, is not included in the research scope of this study.

According to Lin (2009) and Hsing (2010), the basic structural framework in China's urban development arena at prefecture level has been constituted by the three key stakeholders, namely, local municipal government with various subordinating agencies and companies, private market force, and local community residents. The emphasis of this research is on context-based state-society relation since the current urban development model always deals with governments-peasants negotiation over development compensation. The research scope includes the ways in which local state

manipulates both state-society relation and state-private collaboration in promoting urban development project and correspondent residential resettlement, and the financial motives underlying the behaviors of local government.

In the phrase “state-society relationship” in this study, the word “state” actually refers to local state rather the central state, and the word “society” refers to local grassroots society rather than urban middle class because the residents affected by urban infrastructure projects in China’s local contexts are usually low- or middle-income families (McGee, 2007; Lin, 2009; 2011a). Based on Lin (2007), the normal type of state-society relation paradigm contains both the way in which institutional arrangements are made by the state to organize people in certain social and spatial order according to the state’s ideology, and the way how the social and spatial order is negotiated or contested by community residents with common value. These two dimensions are both included within the research scope of this study. In this research, the institutional arrangements are reflected in form of local government agencies in charge of urban demolition and redevelopment whereas the social and spatial order is reflected in form of resident relocation and government compensation.

Grassroots society in different places in local China have often been considered as weak societal groups when they confront power-led enforcement and implementation in terms of housing demolition and resident relocation. As many theorists have concluded, as an essential group of contributor for China’s rapid urbanization, there are huge number of rural migrant workers who finally settled themselves as in-situ urbanized rural residents but still suffer from six major losses– land loss, job loss, settlement loss, social security loss, education loss, and identity loss (Ren, 2006; Kundu, A. & Kundu, D., 2010). But do these in-situ urbanized rural residents always suffer losses from urban demolition and redevelopment affairs? What determinants often play big part in getting or losing advantages in state-society negotiation over resident relocation and government compensation? The answers of theses questions may together constitute a particular state-society relation within the research scope.

There are destructive and creative effects of public-private urban development coalition as part of the new public management mechanisms described by Peck, J. et al (2011) as “neo-liberal urbanization”. If China’s local state-private collaborative urban development model is analyzed in the perspective of creative and destructive movements, the context-based local urban development pattern relies more on innovative government agencies rather than the relatively stable institutions like land use-control system and urban development control system (McGee, 2007). It becomes important therefore, to explore the real process of how local context-based innovative institutions are arranged by local state, as well as how these institutions deal with grass-root society in conducting urban development affairs. Accordingly, the research scope includes the process in which local state agencies collaborate with appointed private force in conducting urban development affairs, the correspondent underlying financial motives, and the way local urban grassroots society respond to their residential resettlement arrangements made by the state-private urban development coalition, in order to respectively examine state-market relationship, and state-society relationship for scrutinizing China’s urban development model. With the aim of acquiring deep insights in the important and sensitive issues, the approach of case study has been adopted to cover the research scope and to realize the research objectives.

More attention is to be focused on different interest considerations from both the affected grass-root society and local government bodies, rather than those from private developers and investors. This is partly due to the lack of practical accessibility, which can be regarded as a research limitation. Another important reason for choosing this emphasized aspect is because one of the most significant Chinese urbanization defined by many scholars (Lin, 2007, 2011a; Wu, 2007, 2009; Hsing, 2010) is a “state-led urbanization” rather than a market-based project. By putting the research emphasis on government operating logic rather than market logic, this research can better reflect the role of local municipal governments in

manipulating the process of “local corporatism”.

#### **1.4 Research Questions**

Based on the research aims, scope, and objectives, there are two major research questions of this research. The first research question assembly refers to, how the local-state is manipulating state-private joint ventures which are context-based, to alleviate government expenditure in relocating evicted residents influenced by urban development project while retaining the benefits of land-centered financialization. This question entails a series of concrete questions including: What specific dimensions and content areas are included in the context-based framework of land-centered urban development in local China? What are the possible components that constitute the entire process of land-centered financialization run by local governments and what specific local institutions are involved in this process? How does local government run the context-based framework of land-centered financialization and what are the reasons, objectives, and consequences for such financialization process? How does the sophisticated state-private collaboration pattern evolve into particular local context and why local state adopts such a state-private collaboration to settle the problem of residential resettlement as the consequence of land-centered urban development? And, what is the importance of the residential resettlement through state-private joint venture to local state’s strategy of land-centered financialization?

The second research question comprises two dimensions: (1) how is local government negotiating with resettlement of local residents to ensure local regional stability through specific forms of benefit-sharing? and (2) how are local residents responding to relocation arrangements made by state-private joint ventures to protect their own benefits while allowing local government to retain theirs, provided that local state and evicted residents have different interests and incentives from different perspectives? These could bring about specific questions including: With the general context of state-led urbanization, how do evicted local residents often react to the residential

resettlement arranged by the particular form of state-private collaboration? To what extent does each of the parties be keen on minimizing costs while maximizing possible benefits? What are the common strategies and countermeasures that have been often adopted by both sides? And to what extent and when and why both parties need to reconcile, compromise, and find ways to balance each other's interests?

### **1.5 Structure of the thesis**

This first chapter forms the introduction of this study. General research background and preliminary features of contemporary urban development in China are introduced at the start before getting into clarification and elaboration of research aims, objectives, and research scope. The aim of this research is to investigate and elaborate on the how the specific type of Chinese local state power manipulates local state-private collaboration in restructuring China's local urban development model in order to reduce government cost and to increase local state receipts. After conducting the literature review, the approach of case study is to be employed instrumentally to achieve the research objectives. The research questions and the introduction to the basic structure of thesis are then presented.

The second chapter presents an in-depth literature review. This chapter will firstly focus on related literatures regarding China's contemporary urban development model and other similar urbanization path or urban development model in the rest of world, in order to summarize features and characteristics toward a particular state-led urbanization mode. Second, based on the key features of state-led urban development in China and the related literatures specifying in neoliberalism and neoliberal urbanization in other western countries, comparisons will be drawn from the local urban development model in China and the patterns and variations of neoliberal urbanization. The third section will present the theoretical framework of this study.

The third chapter will describe the research design approach, the specific research methods adopted, and the ways of data collection employed in this study. The contents

in this chapter move from the most basic research design approach and the correspondent underlying theoretical paradigm and philosophy assumptions, to the general methodology employed as the way for data collection in macro perspective, then to the specific sampling and data generation methods at a more micro stage. The basic profile of informants, the way informants have been selected, as well as the difficulties encountered in winning their trusts also have been clarified. Finally, this chapter verifies several aspects of limitations in informant sampling, data generation, and research site selection.

The fourth chapter does not directly go to the implementation stage of research design because there are relevant legal institutional arrangements, policy variations, and local policy implementation realities, which are necessary to elaborate before introducing how this study investigation has been implemented in practice. The reason for this is due to the logic sequence between the contents in this chapter and the causes why the whole case is selected to generate qualitative data in order to build arguments, why the investigation contains particular groups of informants, why the specific sampling methods are adopted, and why the place is chosen as research site, a lot of which have been identified in the previous methodology part but will be further elaborated in next chapter.

The fifth chapter comprises findings from the data-analysis. The general background of the case is introduced before getting into the particular details of the resettlement project because the related local institutional settings and policy implementation realities and consequences may explain the initial appearance of the particular resettlement project as well as the emergence of the state-private collaboration mode which has been adopted for the project construction. Structurally, the aim of the adoption of this case study is to provide empirical evidences for the demonstration of research findings.

Based on the qualitative and numeric data presented in chapter 5, chapter 6 focuses on

in-depth data interpretation and a discussion of the findings. The municipal process of land-centered urban development, and residential resettlement has been clarified and analyzed from dual perspectives of both local government and grass-root evicted residents. Sets of themes have been raised for three key dimensions of the municipal framework of land-centered urban development. Each theme signifies a specific content area in which in-depth data interpretations and consequential discussions become necessary. Chapter 7 summarizes implications of research findings and presents concluding remarks.

## **Chapter 2**

### **Literature review: Perspectives of Contemporary Chinese Urban Development**

#### **2.1 China's urban development since reform: an overview**

##### ***2.1.1 Changing policies and directions***

##### ***(1) A historical path: from centralized control to decentralized acceleration, then to a combination of both***

Changes in the economic policies of state intervention is the main cause of China's urban transformation and development in its post-reform era, since the way how the party-state's political climate changes, determines the general evolution path of urban spatial planning, urban economy, and urban social life (Lin, 2009). The historical evolution process of China's economic and urban policies should be analyzed before discussing the current characteristics of China's urban development model.

Before entering into the era of post-1978 institutional reform, China had adopted a general policy approach of planned economy for decades. During that period, there was a very strong authoritarian state, a society weakened by strict state control, and an almost invisible market monopolized by public property ownership. According to Lin (2007), China's general policy direction during that period can be regarded as a highly centralized in terms of urban management. On one hand, there was a highly centralized urban economy, as well as urban social lives. Urban economy growth was not on the central policy agenda of the party-state. Due to the party-state's egalitarian ideological conviction, people who lived in cities were tightly controlled by a strong and overwhelming state for ideological and strategic considerations. Their social lives



had thus been standardized, revealing high consistency and minimal differentiation in every aspect. On the other hand, there was a particularly limited urban function, urban scale and rural-urban migration. Cities in the pre-reform period had been considered by the party-state as spatial containers for early industrialization and industrial bases of massive production. There was limited urban commercial activity and little economic diversity in response to urban residents' simplex consumption demand. There had been "invisible walls" among cities, since the 1958 household registration system was built to constrain both inter-city mobility and rural-urban migration, which had increased the homogeneity of the uniform Chinese cities (Lin, 2007).

The 1978 "reforms and opening up" of the Chinese economy signifies a historical turning point of the party-state's general ideology in policy making and public governing. Cities, are no longer just spatial containers for industrial production and national security facilities, since a reborn "market" has been added as a new force in the development engine of China's urban economy; enriching the previously rigid and simplex economic structure through liberating urban commercial activities and domestic and foreign investment. In the economic realm, the centralized planned economic system before China's 1978 reform started to gradually evolve into a semi-open economy, which allows increased employment opportunities resulted from a surge in exports and foreign capital injection. The economic structural reform led to a series of policy changes in many different sectors (mainly centered on agricultural and industrial sectors), bringing several essential factors for economic growth including improved workforce productivity, relatively relaxed rural-urban migration and inter-city mobility, and a newly established labor market dominated by surplus rural labor force (Lin, 2009).

China's economic growth and the consequent institutional restructurings moved on since the 1978 reform and opening up. Many scholars (Zhou, F., 2010; Lin, 2000; Qian; 2003) have pointed out the importance of China's particular fiscal decentralization to the industrialization-led GDP growth during the first 15 years of the

reform and opening up era. The party-state launched this round of central-to-local fiscal decentralization in order to encourage a wave of local state-led industrialization to become the major driving force of economic growth, and this purpose had been finally realized on schedule as the percentage of industrial output value in China's GDP raised from 14.7% in 1981 to 62.5% in 1994 (Sun & Zhou, 2014). China's implementation of fiscal decentralization, in contrast to traditional fiscal decentralization theory, manifested in a newly established "fiscal contracting system" that provided China's local governments with financial power and incentives to promote local industrialization and economic growth through setting up local township industries during that period (Oi, 1992; 1999). Thus, local governments had been financially stimulated by the fiscal contracting system to become self-driving in terms of developing rural and local industries as well as participating in "a regional competition mechanism" centered on GDP growth (Zhou, F., 2010; 2012).

All the reforms and institutional restructuring from 1978 to mid-1990s similarly involve a systematic tendency of central-to-local power decentralization. It should be noted that in this study, the conception of "power decentralization", or "power centralization", only refers to decentralization or centralization of the specific types of power that significantly concerns China's post-reform development model, which include fiscal power, executive power in policy-decision making and policy implementation, and the power in personnel appointment and promotion. Apart from fiscal decentralization, this reform period also included a decentralization process of decision-making power in urban development, urban planning, and urban management from central to local (He and Wu, 2009). In order to keep consistency with the strategic step of economic reform implementation, the party-state changed the previously rigid urban governing approach to allow certain extent of urban expansion and urban form re-scaling. In this way, local states at both provincial and municipal levels have been given greater financial autonomy in urban development affairs, at the price of being responsible for regional fiscal richness and local state competitiveness resulted from contextual-based local finance approach. If China's

post reform period is divided into two different phases, then in the first 15 years from 1978 opening up to mid-1990s fiscal and tax reform, the local finance approach still depended on local-state led industrialization. Specifically, during that period, local financial condition of a normal municipality had been largely determined by local extra-budget revenues contributed by rural and local industries (Zhou, F., 2012).

The wave of industrialization in the first 15 years of China's reform and opening up era was; however, actually based on a "fiscal-contracting system" that provided local governments' with strong motivation to engage in cross-regional GDP growth competition. The fierce competitions among local governments equipped with monopolized power in collecting tax income from rural and local industries, had resulted in the weakening of the central state's ability in concentrating national financial resources and adopting economic micro control (Qian, 2003; Zhou, F., 2006; 2007). Upon this background, a tax-sharing system has been imposed in the 1994 fiscal and tax system reform with the aim of raising the "two ratios" (the ratio of total fiscal revenue to GDP and the ratio of central state's fiscal revenue to total fiscal revenue) as well as central state's difficult position in central-local relationship. A second round of tax system reform followed in 2002 to reinforce this tendency. The fiscal and tax system reforms in 1994 and 2002 respectively, signified the start of the second phase of China's reform and opening up era.

According to related literature (Sun & Zhou, 2014; Zhou, F., 2006; 2010; 2012; Zhang & Gong; 2005), in terms of government revenue, the currently used tax-sharing system evolved through these two rounds fiscal and tax system reforms actually contains a power centralizing rather a decentralizing process. This is because the new tax system has not only largely increased the ratio of central state's fiscal revenue to total fiscal revenue, which directly concerns what Wang (1997) called the "state capacity", but has also invented institutional settings in monitoring and regulating local state's fiscal behaviors, as well as in creating central-local common interest pursuits through initiating new categories of sharing taxes.

Degrees of government revenue centralization do not mean local-to-central power centralization in every aspects. Zhou F (2012) pointed out that since the 1994 and 2002 fiscal and tax reforms, the financial relationship between China's central and local state has been characterized by a co-existence of tax revenue centralization and fiscal expenditure decentralization. In this sense, while the central-state occupies a larger part of government in-budget revenue, China's local-state has retained full power in disposing and arranging government expenditure (Sun & Zhou, 2014). The process of power centralization realized through the fiscal and tax reforms in the second phase of China's reform and opening up has been only limited within the dimension of central-local relationship in distributing government in-budget revenue. That is to say, apart from government fiscal expenditure, there are many other key areas retaining power decentralization layouts, pushing local governments at municipal level or below into the front-line of economic reform and development. As He & Wu (2009) pointed out, even with the gradually deepened economic and institutional reform, local governments have kept the delegated power in economic decision-making and policy implementation in urban management. Zhou (2012) argues that China's highly efficient system in central policy implementation requires local governments at municipal level or below to have strong capacity in controlling and mobilizing all types of resources within their respective jurisdictions.

From a historical point of view, China's general policy directions and central-local relationship evolved from highly centralized control to decentralized acceleration, then to a combination of both (Lin, 2007, 2011; Zhou, 2012). In today's policy climate in which executive power decentralization and government-private collaboration become a mainstream in promoting regional economic growth at relatively micro level (Zhang, 2009), two significant things have been still under centralized power control. One is a larger occupation of in-budget government revenue which concerns the capacity of the party-state, and the other connects to a ever centralizing area run through the PRC's history- concentrated power control of

personnel appointment and promotion, which, according to Zhou F (2012), is another prerequisite condition for China's highly efficient system in central policy implementation. The combination of these two key centralizing areas and the many decentralizing processes have constituted the specific political context of today's development model in China.

From the first phase to the second phase of reform and opening up, major driving forces for China's economic growth changed from fiscal contracting system, central-to-local fiscal decentralization, and township enterprises-oriented industrialization, into a bundle of institutional arrangements including tax-sharing system, a combination of both decentralization and centralization in fiscal and other policy directions, and land-centered urban development. During the second phase of China's reform and opening up, with the accomplishment of rural reform centered on the household contract responsibility system, and gradual privatization of county and township industries, the spatial core in China's economic development shifted from rural China to urban areas, and the strategic emphasis of China's economic development model has accordingly turned from local state-led industrialization to urbanization (Zhou, F., 2010; Sun & Zhou, 2014). In this new development model, a major government internal driving force of economic growth lies in the financial motive of local government behavior. According to Zhou F (2006; 2010, 2012), the institutional consequences resulted from the fiscal and tax reforms in 1994 and 2002 have discouraged the local-state in chasing local industrialization since a majority of in-budget tax revenue gained from running enterprises and industries (mainly centered on value added tax, consumption tax, and enterprise income tax) had been taken by the central-state due to the implementation of the tax-sharing system. In terms of extra-budget and off-budget revenue outside the auditing scope of government revenue, local governments also needed to seek other revenue generating sources since the previously-used income generating approach focused on profits, turnover and administrative fees contributed by rural and local industries had become almost unavailable after the successful privatization of rural and local industries (Zhou,

2012).

Under the local fiscal dilemma of what Sun & Zhou (2014) called “the hungry effect”, both central and local governments had to compromise to find a new way for the local-state to cope with the revenue constraints brought on as a result of the tax-sharing system. With the increased demands in both accommodation and capital accumulation and investment for urban construction land, which had been led by the 1994 urban housing system reform and the enactment of the land management law in 1998 (Zhou, F., 2010), the development chain of urban infrastructure construction, real estate industry, and land-centered financial accumulation are seen as the best investment choice for China’s local governments. The reasons include the following two dimensions (Zhou, F., 2006; 2012; Zhang & Gong, 2005). Firstly, running this development chain may possibly maximize the revenue sources of the pillar tax item in China’s local governments’ in-budget revenue- business operation tax, which is mainly levied on urban construction and real estate industry and land transfer-related income. Secondly, for China’s local governments, the most important attraction in this development chain is actually various land-related income sources that become the greatest contributor in their extra-budget and off-budget revenue sources (Zhou, F., 2010, 2012). The specific way in which this development chain has functioned in forming a virtuous cycle of land-centered urban accumulation and financialization as well as in promoting China’s economic growth through local state-led urbanization will be introduced afterwards (in the section of “Land-centered Urban Development Model”). The next section is to focus on China’s large-scaled rural-urban migration and citizenization, which is both the driving force and consequences of this new development chain.

## ***(2) Rural-urban migration, citizenization, and consequent social costs***

Urbanization entails a systematic and complicated process called for many aspects of resources. Human resource and population is a significant aspect for

urbanization-related studies since urbanization itself is a process in which an increasing proportion of populations live in urban circumstances (Johnston, 1993, p. 263). According to the literature review conducted by the Liu, S., Chen, C., Xu, Z., & Cui, X. (2010), many scholars have been in favor of a default viewpoint that urbanization is primarily a process of rural-urban migration and citizenization. Similarly, as a worldly-recognized standard, a country's urbanization rate has also refers to the percentage of urban residents in its total population. In that sense, China's urbanization rate has reached 44.9% at the end of the first decade of 21<sup>st</sup> century, and it was estimated that this rate will grow to 60% as early as in 2025 (UN, World Urbanization Prospects, 2011; City Mayors, 2012).

The real percentage of Chinese urban population remains doubtful since China's statistical conception of "urban population" actually contains a large number of temporary residents with rural household identities that hinder these people from enjoying equal welfare treatments with normal urban citizens (the development research center of the State Council, 2010). According to the statistical criteria set by the National Bureau of Statistics and China's nation-wide census of population, rural migrant workers who have worked in urban areas for more than only 6 months can be statistically regarded as "urban population". Therefore, statistically, there were roughly 123 million rural migrant workers contributing to China's urbanization rate, which had been reached 46.6% by the end of the first decade of 21<sup>st</sup> century (the development research center of the State Council, 2010). Based on related literature (Zhang, 2009; the development research center of the State Council, 2010), unlike other countries' urbanization of population, China's urbanization path has been actually featured by the rural-urban migration model of "migratory birds", in which urbanizing process happens in rural workers' occupation and work place rather than in their identity, life style, and consumption habits

The reason underlying this phenomenon is due to the particular needs and requirements of China's new development chain during the specific transition period.

After the fiscal and tax reforms, the urban housing system reform, the enactment of the land management law, and other institutional restructurings paved the way for China's urbanization, both central and local governments needed to seek new developmental strategies and institutional adjustments to cooperate with the essential conditions and factors required by the development chain of urban infrastructure construction, real estate industry, and land-centered urban development (Qian, 2003; Zhou, F., 2006; 2007;). Since a prerequisite for this development chain lies in sufficient labor forces for urban construction (the development research center of the State Council, 2010; Chen & Zhou, 2013; Liu, 2013), the first decade of 21<sup>st</sup> century has witnessed gradually relaxed institutional household control over rural-urban migration and intra-city mobility with the strategic aim of leading huge numbers of rural workers into urban labor markets (Wang & Cai, 2008). In this sense, the large scaled rural-urban migration and citizenization can be regarded as consequences led by China's new development model centered on urban transformation.

Nevertheless, the influx of large numbers of rural migrant workers have inevitably brought growing costs of local governments in financial expenditure and social security maintenance, pushing local governments into dilemmas that, require China's long-term strategic plan in urbanization to involve a "well-ordered" integration of rural migrant workers into the system of urban citizenship identity and urban welfare services because this process favors long-term economic prosperity through stimulating the expansion of domestic consumption demand (Liu, 2013; the national new development plan of urbanization 2014-2020). Even with the full fiscal and administrative power in disposing local fiscal expenditure, many coastal and inland cities are still concerned about the growing financial burden in maintaining and accommodating the mass aggregation of temporarily-stayed rural migrant workers, as well as their identity transfer to citizens and equal enjoyment of urban welfare services (Wang & Cai, 2008). According to related literature (Zhang, 2009; Liu, S., Chen, C., Xu, Z., & Cui, X., 2010; Chen & Zhou, 2013), at the current stage, it



remains a common solution for most Chinese cities to adopt the rural-urban migration model of “migratory birds” rather than a real citizenization for rural migrant workers. The reason underlying this local government behavior lies in the dilemma of local state. Local state needs sufficient labor forces led by rural-urban migration as the source of human labor driving force of the state-led urban development system, however, if the temporarily-lived rural migrant workers rapidly turn into normal citizens, the government cost resulted from rural-urban citizenization and consequent social welfare expansion could be too costly for most local municipalities (Wang & Cai, 2008; Zhang, 2009; Liu, S., Chen, C., Xu, Z., & Cui, X., 2010).

Another aspect of social cost comes from the evolving urban form featured by growing heterogeneity, inequality and differentiation. Many cities have come to fit in with a hybrid juxtaposition of different types of residential places occupied by people with differentiated income and social status (Lin, 2007; Hsing, 2010). In inner-city areas, spatial mix of residential areas occupied by people with different income and social status is very common (Hsing, 2010); while in urban fringe areas, housing resettlement sites often evolve into spatial hybrid juxtapositions of commercial real estate buyers, affected-rural residents, and relocated urban residents. In China’s local urban landscape where there is no westernized urban planning tradition towards strict boundary or long distance separation of different urban functional areas and social groups’ residential area, such spatial hybrid juxtaposition of residential communities and spaces may arouse intra-society conflicts which can increase local state’s costs in maintaining social stability and urban manageability.

There have been many related studies that discuss the major constituents of government costs in disposing rural-urban migration citizenization (Zhang, 2009; China Development Research Foundation, 2010; Xu, Chen, & Jin, 2011; Chen & Zhou, 2013; Hu et al., 2013). A conclusion can be drawn from these studies that major dimensions in the social costs of rural-urban migration and citizenization include public services and public goods in education, accommodation and other living

facilities, employment, social security network (including minimum living standard), and basic health care services (Zhang, 2009; Chen & Zhou, 2013). What this research concerned with, is how governments raise funds to finance the prerequisite expenditure in undertaking these social costs that occur as a significant consequence of the massive rural-urban migration.

Zhang (2009) pointed out that compared to the central-state's financial expenditure in rural-urban migration and citizenization, local municipalities in which rural migrant workers lived in afford much higher costs. According to Chen & Zhou (2013), the local-state of a larger-scaled municipality can afford higher expenditure in rural-urban migration than the local-state of a smaller municipality. There are two main ways for local government to raise funds to afford the social costs of rural-urban migration based on Zhang (2009)'s clarifications. One is through tax generation from related industry and enterprises in which rural workers contributed to the creation of social wealth and products. The problem is however, that since the implementation of tax-sharing system, a major part of the tax categories (value-added tax, consumption tax, enterprise income tax) generated from enterprises and industries have been taken by the central-state. The local-state therefore, tends to focus on other fund-raising sources, urban infrastructure construction and real estate industry.

Zhou, F. (2007; 2010; 2012) have emphasized the importance of land-related income in supporting for local government's expenditure in rural-urban migration and citizenization. For China's local governments, land-related government off-budget revenue can be generated from not only rural-urban land conversion for land value appreciation through land leasing activities in primary land market, but also land use right transfers in secondary land market (Ye, 2001; Zhang, 2009). Literature specifying the particular constitution and categories of land-related income sources and the way how local governments gain these different types of land-related income will be reviewed in the section of "Strategies of Land-centred Urbanization and Property Development".

### ***2.1.2 Changing urban landscapes:***

#### ***(1) Rapidness and pervasiveness of urban development in local China***

The new development chain featured by large-scaled urban construction and land-centered urbanization has brought remarkable transformation in China's urban landscapes. Lin (2011b) presented relevant data in four key dimensions for demonstrating the rapidness of China's urban landscape transformation: increase of urban population, urban GDP growth, size and scale of urban construction, and land development centered on rural-urban land conversion. Relevant data in increase of urban population has already been listed in the preceding section entitled "rural-urban migration". The GDP growth rate that sits between 7% and 13 %, signified the annual expanding scale of the economy concentrated on urban landscapes. Compared with these two aspects, the size and scale of urban construction is more significant. It has been noted by Lin (2011b: 3) that the first decade in the 21<sup>st</sup> century exhibited an annual construction value that accounted for "half of all new building space in the world". The remarkable expanded scale of urban construction was accompanied with dramatically increased urban built-up areas; the ratio of which to China's total land area raised from 8% in 1985 to 38% in 2008 (Lin, 2011b: 4).

Many scholars (Wu, 2007; McGee, 2007; Lin, 2009; 2010; Hsing, 2010; Zhou, F., 2007; 2012) have noted the importance of land-centered capital accumulation to China's urban landscape transformation. In China, land development is comprised of two development tracks for state-owned urban land and collectively-owned rural land, respectively. Development of urban land often involves a prevailing existence of modern urban space and built-ups including modern transport facilities, central business districts (CBDs), and gated communities in the urban landscapes, since state-owned urban land within inner city area is always the construction site of urban development project with high commercial value (McGee, 2007; Lin, 2011b).

Transformation in China's urban landscape however, has been characterized more by massive rural-urban land conversion in not only the rural-urban fringe where the blurring of urban-rural division emerges, but also the inner peri-urban area where scattered rural land remains in the hands of farmers (McGee, 2007; Hsing, 2010; Lin, 2011b). China's agricultural cultivated land shrank with an annual reduction rate of 6.3% from 1996 to 2006, in which a considerable portion was taken by urban expansion (Lin, 2009).

Unlike the simple two-track division of rural land and urban land, China's territorial structure of city landscape is more complex. McGee (2007) and Hsing (2010) have raised similar frameworks in dividing the territorial structure of metropolitan region in China's urban landscape transformation. The spatial division framework has been made up of three types of places. Inner city area, or urban core, is made up of the city's core districts with politico-economic importance. Traditional mono-centric cities usually arrange urban spatial planning and expansion around just one urban core area, but with the prevailing urban transformation trend in which many cities have experienced rapid urban expansion, urban spatial decentralization, and especially polycentric urban development, it has become normal for China's local municipalities to have multiple urban cores under municipal jurisdiction (Yue et al., 2010). A prominent feature of the urban core is a hybrid juxtaposition of different types of urban spaces including the space of elitist and mass consumption, the space of government buildings, the space of industrial and development zones, the space of technology and innovation, and most importantly, urban residential spaces for people with different income and social status (Lin, 2011b; Liu, 2013). Urban core areas are often the sites of urban redevelopment in which old urban neighborhoods have been transformed into high-valued-added sites of commercial and residential land use (McGee, 2007).

The second type of place connects to the rural fringe and exurbs in which township and village governments are the most active state actors (Hsing, 2010), or the outer

peri-urban areas in which counties and towns are the main urban centers (McGee, 2007). So far many of this territorial area has not yet experienced remarkable spatial changes and landscape transformation, but many forward-looking peasants have already begun to build houses in order to enhance their future bargaining power when possible urban expansion arrives (McGee, 2007; Hsing, 2010).

The last type of place is the territorial focus of rural-urban land conversion. Hsing (2010) adopted the concept of “urban fringe” to name the specific area in which local municipalities bargain with rural governments and the “suburban peasants” for land appropriation and building demolition. Specifically, land type composition in this territorial area has been characterized by the mix of urban state-owned land and the remaining scattered rural land. Consequently, the territorial area has been characterized by a spatial juxtaposition of industrial sites, urban residential sites, and relocation sites constructed for extensive residential displacements from both property-led inner city redevelopment and urban expansion centered on rural-urban land expropriation (He & Wu, 2007; Hsing, 2010). McGee et al. (2007) raised the name of “inner peri-urban areas” to highlight that this particular area is always included in adjacent urban districts under a city municipality’s direct control. Another feature is that the expansion of built-up area and new residential complexes in this area do not lead to complete elimination of agricultural activities (McGee et al, 2007). Transformation in this type of place is the landscape focus of this study.

The pervasiveness of urban landscape transformation has been demonstrated in not only different types of places in city territorial composition, but also in juxtaposed development of “the two tracks of urbanization” in small cities and large cities, respectively (Lin, 2011b). The period from early 1980s to the mid-1990s has been characterized by a flourishing development process of “urbanization from below” in which “many towns [have] expanded to become a small city and many small cities expanded to become medium-sized cities” (Lin, 2011b: 7). A new form of large city-led urbanization has since developed in China’s rapid changing urban landscapes

since the mid-1990s as a result of a series of institutional reforms and events during the particular period in which development of the small cities remains significant for the national urbanization strategy (Lin, 2011a; the national new urbanization planning 2014-2020). The parallel development of small cities and large cities is a prominent feature in China's distinct urban development model.

Lin (2011a) also pointed out the significance of China's large-scaled and rapid urban landscape transformation to the national-wide economic growth. Unlike developed countries, economic growth in less-developed countries like China relies on sufficient input, mobilization, and commodification of two types of initial capital-land resource and labor force, which can be realized through contextual-based urban development and landscape transformation. In China, many rapidly-expanded small and large cities grown through the large-scaled urban landscape transformation serve as the spatial containers for concentrating these two initial input factors (Hsing, 2010; Lin, 2011a).

Nevertheless, how these two initial capital inputs have been mobilized varies. With the development chain dominated by urban construction and land-centered urbanization, the local-state is able to accumulate huge profits though using both market and authoritarian approaches to dictate land use. Specifically, the local-state may manipulate a self-led urban land market with the collaboration of real estate industry, in what Ma (2009) called "local land financing" in which local state benefits from land conveyancing fees, land-related loans, and other land-related incomes through inner-city redevelopment and expanded urban frontiers. Such massive urban land development would require another aspect of initial capital accumulation: labor force. The development of the labor market has been primarily fueled by the influx of rural migrant workers, which explains why rural-urban migration is encouraged by local-states even though this large population influx also brings a series of problems ranging from welfare, housing, medical care to social resentment not only of the rural migrant workers, but also of the permanent city residents (McGee, 2007; Hsing, 2010;

Lin, 2011a).

With the institutional context of limited financial supports from central government expenditure, and local state's self-dependent institutional settings in financing urban development, the development chain centered on urban-construction and land-centered urbanization has led to much more competitions among Chinese cities at different levels in attracting domestic and foreign capital investments. Such competition has urged local entrepreneurial bureaucrats to adopt various local development strategies of place-making and promotion to enhance local competitiveness and attractiveness in many aspects (Lin, 2007; 2011). With the enhanced intra-city competition, there has been a key shift in the preferred local development strategies of place making and promotion, changing from the industrialization-oriented constructions of "development zones" into the mixed-use real estate developmental projects of "new city" complexes in order to attract foreign and domestic investors (Lin, 2007; McGee, 2007; Hsing, 2010). In contrast to the former local strategy of development zones that focused on growth in industrial outputs in the first phase of China's reform and opening up from 1978 to mid-1990s, the current local strategy of new city complex has been focused on the creation and appreciation of the property values in the newly built city complexes through "urban operation and management" (Hsing, 2010: 104).

For the municipalities where local government relies too much on land-development and urban constructions, excessive investments in real estate industry, overheated speculation on properties has begun to emerge when residential needs of the less well-off have been ignored. As a result, large but empty newly built houses and gated communities have become more prevalent than before, forming the urban sights of "ghost cities".

## ***(2) In-situ urbanization: the blurring of urban-rural division***

The preceding sections of the literature review have described many characteristics of the particular territorial area under the research scope, namely, “urban fringe” (McGee et al, 2007), or “inner peri-urban areas” (Hsing, 2010). These characteristics include a mix of urban land and remaining scattered rural land, a spatial juxtaposition of industrial sites, residential sites, and relocation sites, a common phenomenon of bargaining process between local governments and “suburban peasants” for land appropriation and building demolition, as well as the maintaining of limited agricultural activities. A fundamental cause underlying these emerging features of urban-rural fringe is that it always has to be the very first type of place to be affected by urban expansion that is to transform this specific area into a new part of urban areas (McGee et al, 2007; Hsing, 2010). Compared to the peasants residing in rural district and exurb, most rural residents who live in this area do not tend to move out to seek jobs through rural-urban migration because of the locational priorities that may bring them the advantage of “in-situ urbanization”.

There have been many different perspectives in terms of how to interpret the conception of “in-situ urbanization”. In the Chinese context, the concept of “in-situ urbanization” refers to urban development and urbanization process of suburban areas, exurban areas, urban townships, or even rural villages at the rural fringe (Zhu et al., 2009; Wu et al., 2014; Jiao, 2015). Many authors have commented that (He et al, 2009; Liu et al, 2010; Wang et al, 2010; Hao et al, 2011), demolition and redevelopment of many “urban villages” in urban core areas of large cities can be also regarded as a form of in-situ urbanization. But the concept of “urban villages” or what Liu (2013) termed “villages within cities” is very different from the concept of remaining rural residential sites scattered in the suburbs at the urban fringes where rural-urban division becomes blurred and muddled. The following section will focus on the academic conceptions of in-situ urbanization related to this particular landscape only.

The conception of in-situ urbanization significantly involves the way suburban residents have been integrated into specific urban systems nearby. Related literature



includes Hu et al. (2014) and Jiao (2015), both of which emphasized that China's in-situ urbanization is more concerned with the process which enables rural residents to realize their upgrading process in citizenization, urban welfare participation, life and consumption transformation, and non-agricultural employment. Actually, it should be noted that only a small number of sub-urban peasants tend to follow the traditional way of rural-urban migration to seek jobs in the city core areas. On the country, a majority of them stay where they were, with satisfactory livelihoods dependent upon agricultural and non-agricultural activities, making them become "in-situ rural workers" or "quasi-urban job seekers" (Zhu, et al., 2009; the development research center of the State Council, 2010; Jiao, 2015).

Zhu et al.'s (2009: 215) conception of in-situ urbanization highlights "the emergence and development of quasi-urban areas" as well as the process in which rural residents become "quasi-urban populations". As a particular urbanization alternative to the conventional city core-oriented urbanization pattern, in-situ urbanization brings not only an increasingly blurred distinction between urban and rural settlements in urban spatial reformation, but also opportunities for "suburban peasants" to improve their living standards both economically and residentially (Zhu et al, 2009). Specifically, compared with rural residents in any other places, peasants who live in the rural residential sites and who are scattered in the quasi-urban areas may get a much higher level of compensation when their houses, buildings, and rural land, have to be expropriated by local government for urban expansion development. According to relevant studies (Wang et al, 2010; Hao et al, 2011; Liu, 2013), the only type of place in which the rural residents may get reimbursed at a higher compensation standard is "urban villages" within large and mega cities like Shenzhen. Unlike the extensive literature (He et al, 2009; Liu et al, 2010; Wang et al, 2010; Hao et al, 2011; Liu, 2013) focused on the formation, status, and redevelopment of the specific place of "urban villages" or "villages within cities", comparatively little scholarly attention has been devoted to the investigation of how the rural residential sites scattered in the quasi-urban areas have been redeveloped to embrace their own patterns of in-situ

urbanization, as well as the way how the consequential benefits of urban development have been shared between local governments and rural residents. This is one of the voids this study intends to fill.

Liu (2013) pointed out that unlike the urban core-oriented urbanization pattern adopted for China's large and mega-cities, there has been a totally different urbanization approach for the medium and small cities- "urbanization from below", which focuses on urban transition or in-situ urbanization of the suburban township area. This particular urbanization approach also has been noted by Zhu et al (2009), as one of the two forms of in-situ urbanization taken places in Fujian province where the case study had been carried on. Nevertheless, both Liu (2013)'s interpretation towards "urbanization from below" and Zhu et al (2009)'s understanding of "in-situ urbanization" were based on the particular social-economic conditions of the southeast coast areas where both the urban transition of exurb villages and the inflow of foreign capital in urbanization has been way ahead of other parts of the country (Zhu, 2009; Liu, 2013). Even the site of case study conducted by Zhu et al (2009) is also a medium-sized city: Quanzhou, which may presents larger extent of universality than mega-cities in urbanization pattern, but the specific geographic location still make its urbanization trajectory different from the urbanization pattern of many inland cities with small and medium size. The concern is that comparatively little scholarly attention has been devoted to the investigation of how inland cities' in-situ urbanization approach differs from that of the cities in the southeast coast areas.

## **2.2 Land-centered Urban Development in local China: Political-Economy Perspectives**

### ***2.2.1 Influences from Neoliberalism, Privatization and Marketization***

Neoliberalism has become the most prevalent politico-economic trend of thought since the 1980s. In the west developed countries, the rise and consolidation of neoliberalism normally contains two dimensions: an ideological project and practical

politico-economic operation. The former dimension refers to an ideological hegemony of market rule, privatization, and individualism. While the latter involves a series of path-dependencies and possible adjustments scenarios in terms of how an ideological form of neoliberalism adjust to the particular politico-economic context, inherited institutional landscape, and habits of state governance (Peck et al, 2009; Tuna, 2012; Barnett, 2010). Although the theoretical perspective of neoliberalism can be interpreted in different ways, and there has been no single definitive conceptualization towards such a “dominant political and ideological form of capitalist globalization (Peck, 2009: 50)”, different theoretical interpretations share common viewpoint about the proposition that collective social good and human well-being can be optimized through setting up an institutional framework featured by normalized individualist self-interests and entrepreneurial values, free market exchange and free trade, principles of strong private property rights, and minimal state control (Smith, 2002; Harvey, 2005; Barnett, 2010). Nevertheless, the utopian ideological version of neoliberalism, which claims that self-regulating markets liberated from all forms of state intervention is the optimal allocation of resources and investment, has never been imposed and implemented in a pure form in real cases. The possible conditions involved in practical politico-economic operation of neoliberalism contribute to different forms and hybrid compositions in the way of how the related institutions have been neoliberalized, which has been defined as the process of “neoliberalization” or the form of “actually-existing neoliberalism” (Harvey, 2005; Peck et al, 2009).

According to Peck et al, (2009: 56), neoliberalization is an “open-ended process, rather than a phase or end state”, which involves a set of intersecting strategies of restructuring rather than a stable and free-standing system. And each particular process and hybrid form of neoliberalization is always based on specific path-dependent interaction between the existing institutional forms varied across regional contexts and the diffusion and influences caused by emergent neoliberal policies. Peck et al. (2009) has also pointed out that the interaction and confrontation between pre-existing institutional context and emergent neoliberal policy initiatives

include two distinct moments- “destructive” and “creative”. The former refers to “the destruction of extant institutional arrangements and political compromises through market-oriented reform initiatives”, while the latter is “the creation of a new infrastructure for market-oriented economic growth, commodification, and capital-centric rule (Peck et al, 2009: 55).” These two moments have also been dialectically intertwined in place-specific forms within a continuous, dynamic, and non-linear transition process- “creative destruction” (Peck et al, 2009). Similar to the process of neoliberalization, the term “actually existing neoliberalism” also refers to the practical dimension of neoliberalism, in which various reformative institutional restructurings and contextually embedded processes toward how ideological version of neoliberalism have been interpreted, conceptualized, and implemented in different regions and countries around the world (Harvey, 2005; Barnett, 2010; Tuna, 2012).

Neo-economists perceived that the development of China’s urban economy has been experiencing path-dependent neo-liberalization even though the process is in gradual manner. For a group of theorists including Harvey, McGee, He, and Wu, China’s distinct urban development model has shown some traits that seem to be a specific form of path-dependent neoliberalization, and which have demonstrated an existing neo-liberalism (Wu, Fulong, et al: 2006; Harvey, 2005; He & Wu, 2009; McGee, 2007). Their arguments have been based on a series of development features which are manifestations of the “actually-existing neoliberalism” in the Chinese economic development experience. These features include gradual marketization and liberalization in urban labor market, increasing openness to foreign trade, land finance, housing mortgage, and the expanding trend of privatization in infrastructure construction mode and urban property ownership (Lin, G. C., 2010; Lin, G. C., & Yi, F. X., 2011; Nee et al. 2007; Zhang, 2012).

The wide diffusion of neoliberalism together with the trend of economic globalization have brought significant influences on China’s development trajectory and economic growth pattern. Even with that extent of influences however, the neoliberal perception

towards China's development model remains highly controversial. There is little scholarly evidence concerning exactly to what extent a reformative institutional restructuring can be defined as a neoliberal one, and to what extent a neoliberal institutional restructuring can be defined as "actually existing neoliberalism". The root of this complexity originates from how neoliberalism is defined, which is determined by particular social political contexts of a country or region (Peck et al, 2009). The way a former socialist country defines, interprets, and make use of the westernized version of neoliberalism could be quite different from the prevalent interpretation and implementation towards neoliberalism in Western developed countries. For instance, in Western developed countries, neoliberalism itself developed from political distinctions of right-left difference that focus on state governance approaches and the degree of state intervention in market management. based on their fundamental recognition of Adam Smith's market civilization. Comparatively, the right-left political distinction in the former socialist countries (like China) was based on their degree of acceptance of the value perspective in the fundamental market civilization, including privatization, marketization and liberalization. Many former socialist countries have evolved into non-socialist countries since the late 1980s, their progress level of marketization and privatization remains low. These countries have experienced a tough process in both integrating themselves into the global market and introducing the westernized version of "conventional neoliberalism" into their institutional context and ideological sphere through interpreting neoliberalism in their own way.

Since the politico economic reforms in 1978, China's urban space has experienced a tremendous transformation process in response to a seemingly irreversible external tendency of urbanization and globalization, resulting in a period of gradual opening up of the "socialist market economy". This period has produced a series of internal state-led institutional restructurings and reforms in terms of land development, urban housing system, and economic structure adjustments. The 1988 land use rights reform that had fundamentally structured both the "new urban market forms" and the initial

engine of urban real estate economy (Keith, M., et al 2014: 73), leading to perhaps the largest scale of urban transformation and development process in human history. In the 1990s, the urban housing system reform together with the launching of the land management law signified a deepening process of urban economic restructuring, property marketization and privatization; however, the process of marketization and privatization in China's urban development realm has not fully conformed with the conventional neoliberal development pattern followed by the west developed countries (Lin, 2011b).

For many other theorists, there are better theoretical interpretations toward China's urban development model. Keith, M., et al (2014) have used the term "local state capitalism" to define the modernization process in which China constructs its own form of capitalism through conducting various posteriori institutional experiments that are often selectively tested on specifically chosen regions at different scales. The local state capitalism model that has formed in the post-Deng period, according to Keith, M. et al (2014), can be considered as an inheritance and further development of the Deng's model of "socialist market" that is seemingly self-contradictory because of their similarities in role identifications toward state and market, respectively. Apart from the market governance structured by the hierarchies lent from the party-state, the new market form in China can be regarded as playing the role of governance tool as it had been argued in Adam Smith's *Wealth of Nations* and *The Theory of Moral Sentiments*. The state however, is neither an ordinary player in market competition nor a regulator that guarantee the fairness and justice of market competition. It is instead, a particular player "in the market, in its constitution, its development and its future" (Keith, M. et al, 2014: 27). According to the theoretical framework of Keith, M., et al (2014), a key component in the model of local state capitalism is the Chinese version of urban property relations (including land and real estate), which can become much more complicated in different combining forms of property rights rather than the most basic separation of use rights and ownership rights.

George CS Lin especially highlighted the significant deviation of China's distinctive urban development trajectory from the conventional Western neoliberal model in many of his works (Lin, 2007; Lin, 2009a; Lin, 2009b; Lin, 2010; Lin, 2011a; Lin, 2011b; Lin, G. C., & Hu, F. Z., 2011; Lin, G. C., & Yi, F. X., 2011). The neoliberal economic doctrine of the "Western conventional wisdom" has been apt to emphasize reformulation of state-market relations with great urban political autonomy and urban commercial functions. Nevertheless, China's urban development model contains currently a mixture & hybridity of both state socialism and capitalist marketization (Lin, 2007; 2010; 2011b). In terms of urban re-scaling strategies and state urban policies, China's model is more concerned with the cities' cultural ceremonial and administrative function, the reinforcement of social stability, social harmony, and urban manageability, and less with to what extent the state and market should make a place for each other (Lin, 2010; 2011a).

There has been a gradual expanding trend of privatization in China's new urban development model with the global diffusion of neoliberal developmental strategies (Harvey, 2005; Nee and Swedberg, 2007); however, the scale of privatization varies by different areas. According to Lin & Hu (2011), China's economic development model has been characterized by a restricted privatization in urban property ownership accompanied with a large-scaled remarkable privatization in urban labor market. The privatization trend of various types of urban properties has been under direct and indirect controls in a deliberate and systematic manner, with even private sectors (including domestic private sector, capital from Greater China region and foreign-invested enterprises from global market forces) expanding rapidly especially in certain geographic areas (e.g. the southeastern coast of China). China's top authorities have been cautious in interpreting property ownership and use rights. China's financial market is monopolized by the state through the constitution of state-controlled financial institutions (e.g. state-owned banks and the Banking Supervision Committee), while China's property market (land market and real estate market) is monopolized by the alignments of governments and commercial developers.

(Lin, G. C., 2010; Keith, M., et al, 2014). The party-state seems to keep their key assets including land and state-owned property and capital from being privatized until feasible reform strategies have been recognized and approved. Conversely, China's urban labor market has been vastly privatized since the top authority needs to ensure social stability through encouraging domestic and foreign private sectors to absorb both the SOE laid-offs and the influx of rural migrant workers (Lin, G. C., & Hu, F. Z., 2011; Wu, F., Xu, J., & Yeh, A. G. O., 2006). Continuous privatization in the labor market can be regarded as evidence indicating the party-state's future policy direction towards upgrading the status of the market from "fundamental role" to "decisive role" in allocating of resources (the 2014 government work report; the national new urbanization planning 2014-2020).

The term "urbanization of the local state", which has been developed by Hsing (2010) to describe the process where local municipal governments turned to adopt urban development strategy for power legitimization and territorial consolidation, has raised the necessity to further clarify the role of local municipalities in manipulating urban development affairs. Compared with the formal institutions, which have been relatively weak in Chinese economy, informal institutions have received greater attention in this theoretical field as many socio-economists have noted the great influence of various alliances between local governments and business groups (Walder, 1995; Oi, 1995, 1998; Nee, 1992; Keith, M., et al, 2014). According to Nee's account of "neo-localism", the purposes of alliance making are simply interpreted as a means for cadre entrepreneurs to reduce transitional costs and economic uncertainties (Nee, 1992). Oi (1995, 1998) and Walder (1993, 1995) raised the notion of "local state corporatism", or "local corporatism", to conceptualize a regime where local governments not only control enterprises but also operate themselves in entrepreneurial ways, which has led to both performance incentive of local companies bargaining for government funds and the formation of mutual competition between sub-branches of local state. This is similar to the theoretical conception of "entrepreneurial government" proposed by Duckett (2006).



There are other perspectives to examine China's urban economy development model. Many scholar arguments including Aizenman, J., & Lee, J. (2008) and Bonatti, L., & Fracasso, A. (2013) indicated that the approach of "too much big government intervention and interests" in Chinese economy can be regarded as a specific Chinese version of mercantilism, especially in terms of export-led foreign trade policy and accumulation of US dollar-led international reserve. Bonatti, L., & Fracasso, A. (2013) has developed a theoretical model to show key qualitative aspects in China-US inter-dependence in external and internal policy objectives, concluding that China's policy directions in local urban development arena in the past two decades- including maximization of urban GDP growth and rural-urban labor transfer, were actually consistent with the national strategic adoption of an export-led growth mode and large accumulation of international reserve externally, while keeping domestic consumption compressed. This policy framework has been accepted by the US authorities, since the policy implementations were fully compatible with the external strategy of holding external deficits and internal strategy of encouraging high domestic consumption. Bonatti, L., & Fracasso, A. (2013) further pointed out that the policy co-dependence order between the two countries could be disarranged if either party of them change its own external or internal policy, but such a re-ordering start is more likely to occur on the side of China because the political events in recent years have already shown China's policy agenda to move away from export-led growth mode to domestic consumption-driven approach and from maximization of urban GDP growth to improvement of people's living standard. The clarifications on relations of external & internal policy have presented reasonable understandings towards how some local urban development policy implications relate to strategic blueprint at more macro-level in China, and how China's local economic growth has been shaped by the specific Chinese version of mercantilism which signifies a strong state authoritarian intervention in steering the economy.

To summarize, China's economic model has demonstrated different patterns and

processes come from various politico-economic trends of thought. Perhaps no one of these theoretical perspectives may individually interpret all key components in China's urban development model and the urbanization path since it is a multi-faceted general process that has been being shaped by many determinants and forces including those in economic, political, and cultural aspects. Each of these trends of thought, especially "local state corporatism" and "conventional neoliberalism" which has exhibited remarkable marketization and privatization, may exert its particular influence on China's development model to different degrees; however, no one model is dominant. It is better to analyze how and to what extent a specific politico-economic theory is influencing China's model rather than to dispute which one is the best way to define China's phenomenal economic growth and urban transformation in the past 30 years. In order to indicate extant theoretical gaps for constructing intended theoretical framework, the following part of this literature review chapter aims to use theoretical perspectives and their possible influences to elaborate why China's central and local state have figured out a general land-centered property financialization approach to fund the specific in-situ urbanization which is also in a state-led model.

### ***2.2.2 Funding Urbanization: Central policy change and Local Government***

#### ***(1) Tax-sharing system and its intended benefits: strengthening state capacity at the expense of local revenue prosperity***

The preceding section on the overview of China's changing policy directions mentioned the significance of the tax-sharing system that has served as a turning point of the historical transition from the first 15 years' industrialization-led growth model to the second phase's urbanization-led development approach in China's post reform era. This section will provide a detailed literature review that explains how, and why the tax-sharing system has been initiated and its impacts on China's development engine and behavioral motive of local state.

According to Zhou F. (2006; 2012), there were two main contextual causes that have led to the initiation of the tax-sharing system in the mid-1990s. The first one connects to the weak position of central state in the central-local fiscal relation shaped by the “fiscal-contracting system” in the first 15 years of China’s post reform era. The problem with the fiscal-contracting system is that the increase in the local-state’s in-budget tax revenue can not bring in consequent increases in the central state’s in-budget revenue, which directly resulted in a prominent decrease in the ratio of central state revenue to the total government revenue (Zhou, F., 2013). Apart from the uneven revenue distribution, more serious problems took place in the “gray area” of extra and off-budget revenue sources centered on profits delivery and administrative fees contributed by rural and local industries, which had been completely monopolized by local governments without any central supervision. This has led to the decrease in the ratio of total fiscal revenue to GDP (Zhou, F., 2006; 2013). In this context, the local state’s fiscal power significantly outweighed that of the central-state in both areas of in-budget and off-budget fiscal control. Another contextual cause connects to the blurred state-enterprise relationship without a clear line between the functions of the government and enterprises (Zhou, F., 2012). The mix of these two main contextual causes led to the local-state’s dominance in the industrialization-led growth engine as well as the central-state’s capacity deterioration in economic macro-regulation.

A tax-sharing system has been initiated by the central state to cope with the “unintended effects” of the two main contextual causes. From the perspective of the central-state, the “unintended effects” primarily include a weakening state capacity signified by decreases in the two ratios: the ratio of total fiscal revenue to GDP and the ratio of central state revenue to the total government revenue (Zhou, F., 2012; 2013). Two key restructuring processes were initiated by the tax-sharing system to cope with this unintended effect. First and foremost, the new system divided all tax items into three main groups: central taxes, local taxes, and shared taxes. The most important restructuring in this institutional division is the initiation of a bundle of

“shared tax items” including VAT (value-added tax), resource tax, security transaction taxes, and enterprise and personal income tax since 2002, which are all economically important tax items that can be largely accounted for by GDP growth (Zhang & Gong, 2005; Zhou, F., 2006). The initiation of shared taxes significantly changed the previous situation of the interest non-relatedness between local state’s revenue and central state’s revenue, creating a win-win possibility for adjusting local-central fiscal relationship (Zhang & Gong, 2005). Moreover, the separation of the central tax system from the local tax system, together with the widely distributed local branches of the central tax system in almost all municipalities, brought an institutional guarantee for the central state to stabilize its own tax generation area (Zhou, F., 2012). After several years of implementation, the tax sharing system completely reversed the weak position of the central state in the central-local fiscal relationship through the dramatically intensified “two ratios”. The central state’s in-budget revenue and the state capacity has been largely strengthened at the cost of local state’s financial loss of in-budget revenue (Zhou, F., 2006).

## ***(2) Tax-sharing system and its unintended impacts: local government behavior in pursuing land-related government revenue***

The preceding section reviewed the contextual causes for why the central-state initiated the tax sharing system. Apart from the intended effects, the implementation of the tax-sharing system also brought about significant impacts, which might not have been expected by the central-state. One must know what does the tax-sharing system mean to local state before analyzing the “unintended impacts” of tax sharing system from the perspective of central state.

From the perspective of the local state, financial losses of in-budget tax revenue became normal since the implementation and adjustment of the tax-sharing system. The tax-sharing system divided most of the tax sources previously dominated by local state through local industrialization into the newly initiated group of “shared tax items”

contributing to both local and central revenue (Zhou, F., 2012; 2013). Among the 5 different levels (central, province, municipal, county, and village) of government in China's political system, local government at county and village level suffered the most as a result of the restructuring of tax sharing system since almost all of the local and rural industrial enterprises under their direct control diminished at the end of 1990s. The implementation of the tax-sharing system had largely weakened the behavioral motive of local government in promoting local-industrialization and enterprise prosperity. Thus the local-state needed to find another development approach to provide reliable tax sources for local state's in-budget revenue (Zhou, F., 2010). It would be important for local state if that development approach may bring extra- and off-budget revenue sources that cannot be easily regulated by central state, since relying solely on in-budget revenue may not effectively ease local state's financial burden resulted from rural-urban migration, tax sharing system, and in-situ urbanization (Zhou, F., 2006; Zhang, 2009; Liu, 2013).

The development chain of urban infrastructure construction, real estate industry, and land-centered accumulation seems to be the best choice that can meet local governments' purposes. In terms of in-budget revenue generation, since the urban housing system reform and the further adjustment of tax-sharing system at the turn of the new century, China's rapidly growing urban construction and real estate industry have become the pillar industry for tax revenue generation of sales tax which replaced VAT to become the major tax source for local state's in-budget revenue (Zhou, F., 2006; 2012). In terms of extra and off-budget revenue generation, land-centered accumulation is the best revenue generating approach because on one hand, housing marketization reform together with the enactment of the land management law has brought a growing residential and commercial needs for urban construction land, while on the other hand, local municipal states fully retain all the relevant power in disposing varieties of land resources under their respective jurisdictions based on the land management law (Zhang & Gong, 2005; Zhou, F., 2012). With rapid urban expansion, rural-urban land conversion for urban land sales has become a common

practice for the local-state to accumulate large amount of stipulated land administrative fees and land leasing fees which main largely contribute to both their extra and off-budget revenue, respectively (Zhou, F., 2012).

Many scholars (Qu et al., 2009; Hsing, 2010; Lin, 2011a; Zhou, F., 2012) agree that from the first phase to the second phase of China's post 1978 reform era, the focus of the economic growth pattern evolved from industrialization into urbanization. Under the general context of "great urban transformation" (Hsing, 2010), the main approach for the local-state to generate in-budget revenue perfectly matches with the main approach for local-state to generate extra and off-budget revenue in "gray" areas, because of the interdependence between land-centered financial accumulation and urban construction comprising infrastructure & real estate industry (Zhou, F., 2012).

The intended benefits that can be gained from adopting the development chain of urban construction and land-centered urbanization, explain the changed behavior of the local-state, which evolved from running local and rural industries into "running cities" (Zhou, F., 2010). With the specific aim of seeking extra and off-budget revenue growth that cannot be easily regulated by the central-state, the local-state has tended to dominate urban land markets through monopolizing local land resources and primary land transactions (Hsing, 2010; Zhou, F., 2012). The local-state also actively engages in various urban construction projects through both state-invested urban infrastructure and public-private collaboration (Qu et al., 2009; Zhou, F., 2012). There has also been an external institutional prerequisite that should not be neglected in explaining the changed behavior of the local-state. According to the land management law reedited in 1998, only the local-state has the legitimacy to expropriate rural land within its territorial jurisdictions for rural-urban land conversion in which rural land has been developed into urban construction land for land transfer in primary land market. This has actually provided the local-state with indispensable power in manipulating urban expansion and landscape transformation (McGee, 2007; Hsing, 2010).

In conclusion, the initiation and implementation of the tax-sharing system can be regarded as a fiscal power centralizing process since it has achieved the original intended effect of concentrating fiscal in-budget revenue from the local-state's pocket. Nevertheless, the local-central fiscal relation shaped by the tax-sharing system remains a combination of revenue centralization and expenditure decentralization since the local-state retains fiscal power in disposing local financial expenditure and also keeps decision-making power in deciding which particular revenue-generating source it tends to rely on. More importantly, off and extra budget revenue varied by local conditions remains an untouched field in the fiscal and tax system reshaped by the tax-sharing reform. This has led to the formation of land-centered urbanization strategies initiated by China's local government, which are to be introduced in the coming section.

### ***2.2.3 Strategies of Land-centered Urbanization and local government behavior***

#### ***(1) Land-centered financialization: local governments in "running the cities"***

In much of his work (Zhou, F., 2006; 2010; 2012), Zhou has been committed to interpreting the main driving force of China's urban economy through analyzing both the fiscal dynamics in central-local relationship and the ways in which local government behavior changed from "running local enterprises" into "running cities". There also have been many other Chinese scholars (Chen, 2003; Zhou, L., 2004; Liu & Jiang, 2005; Zhang & Gong, 2005) who were consistent with Zhou's arguments in terms of considering local state-led urbanization and land-centered financial accumulation as the key reasons in explaining the main driving force of China's economic growth since the 2000s. The preceding section has already reviewed part of the financial motives underlying the behavior of local state in pursuing land-centered urbanization and financial accumulation, which are involved with their intentions in increasing extra and off budget revenue centered on land fees and land sales (or leasing) income. Nevertheless, a further question connects to the way how does local

state generate these land-related incomes on a sustainable basis and how do they use land resources and land-related income to refuel local urbanization.

In many related works, the concept of “land finance” has been used to refer to various land-based financing approaches and land mortgage patterns (Qu et al., 2009; Zhou, F., 2010; 2012; 2013). From the perspective of the local-state, if operated successfully, the amount of money raised by “land finance” can potentially be larger than any kind of land-related income sources generated through the development approach of land-centered urbanization (Zhou, F., 2007). In China’s political and institutional settings, there are two key approaches for local government to run “land finance”. The first approach is by means of their self-funded city investment companies. Through placing large investments into different types of local state-funded city investment companies engaged with urban infrastructure and public service provision, local governments are able to achieve dual purposes. These state-funded city investment companies may easily manipulate urban infrastructure construction according to the orders and strategies of local governments, but more importantly, it has become a common practice for local state to transfer highly valued urban land into these companies for acquiring large amount of land loans and land mortgage from the banks (Zhou, F., 2007). These land loans and land mortgages are then adopted by the companies to spend on urban infrastructure construction, primary land development, and other necessary area in urban development, forming a positive circle of land-centered financing approach employed by state-funded city investment company (Zhou, F., 2007). Such land financing approach has become a key reason that has significantly shaped the local government behavior in committing to the development chain of urban construction and land-centered urbanization.

Apart from the state-funded city investment companies, there is another key institution that plays a major role in land-centered financialization. Zhou F (2010)’s empirical study towards the land finance situation of a specific county revealed that the local land reserve center owned an even larger amount of land mortgage loans



than that of the state-funded urban investment company. Since the economic growth pattern changed from local industrialization to land-centered urbanization, land reserve centers have evolved into the major local agency in rural land acquisition and land reserving for primary land market supply (Zhou, F., 2010). Before supplying highly valued urban construction land for residential and commercial uses to private land users, local land reserve centers need to pay significant costs for the processes of rural land acquisition, approval of rural-urban land conversion, and primary land development. In order to afford that heavy costs, local land reserve centers often need to use the previously reserved land resources under their control to apply for land mortgage loans to pay that costs (Zhou, F., 2010; 2012). After the land reserve center gets sufficient land mortgage loans to successfully accomplish the processes of land acquisition and land reserving, it may lease the land to private land users for earning substantial land leasing fees that can easily compensate for the land mortgage loans. This is the land-centered financing circle adopted by local land reserve center.

It can be concluded that local state-funded urban investment company and land reserve center are the two key institutions set by local state in manipulating “land finance”. Zhou (2012) argued that the land reserve center is the most important land mortgage client for local banks since his empirical study revealed a dominance of the land reserve center in obtaining land mortgage loan in a specifically chosen county. This is not; however, a sound argument since a single specifically chosen research site has very low representativeness. Which one of the two institutions is capable of acquiring larger amount land mortgage loans seems to depend on context-based local institution setting. More empirical studies are required at different research sites to generate deeper understandings toward these two institutions.

The concept of “land-centered financialization” does not only refer to the land-centered financing approaches adopted by the above two key institutions in charge of “land finance”, but also includes the asset appreciation process in which rural land has been converted into urban construction land for commercial and

residential uses. Because the two key institutions described above require direct supports from sufficient government revenue which largely depends on land leasing fees as the main source of off-budget revenue (Zhou, F., 2010; 2012). Land sales income has been determined by regional land and property value, local investment climate, and urban development attractiveness to real estate investors. In that sense, the broad concept of “land-centered financialization” could also include the how government revenue has been generated through land-related fees and taxes as the main sources in-budget revenue, as well as the way government expense in affording the social cost of urban development (mainly centered on land acquisition, demolition, compensating and relocating evicted residents) has been offset through engaging private developers.

## ***(2) Political incentive of local government behavior in urban development***

Unlike the conventional pattern of urbanization and economic growth in Western developed countries, China’s development trajectory has demonstrated a series of distinct features including both positive and negative aspects (Lin, 2011a). Rapid economic growth and urban transformation goes hand in hand with extensive and unsustainable development approach at the cost of environmental deterioration, drastic income inequality, and incomplete market operation (Zhou, L., 2007; Lin, 2007). In order to interpret the reasons underlying the economic miracle and the social and economic problems associated with the miracle, which together demonstrate China’s distinct development trajectory, many scholars have highlighted the importance of particular institutional restructurings that may affect the motive of local government behavior. Many of the related works (Qian, 2003; Jin et al. 2005; Oi, 1992; 1999) tend to attribute the changing local government behavior to the institutional reforms toward fiscal and economic power decentralization initiated in the 1980s, as well as the institutional restructurings of tax-sharing system, land system, and urban housing system since the mid-1990s (Zhou, F., 2006; 2007; 2012). These arguments can be regarded as the explanation of the fiscal and financial incentive of

local government behavior. The preceding section discussed local governments' financial incentive in launching land-centered urban development, as well as the specific financing approaches adopted by the local state subordinate institutions in charge of running the land-centered urban financing circle. Nevertheless, apart from the financial incentive of local government behavior, there is another important cause that influences the local-state to adopt locally-varied strategies for pushing local urban growth; the mechanism of political incentive.

From a political-economic perspective, Zhou L (2007) raised the concept of “political promotion tournament” to describe the specific incentive model that provide local government officials with strong motivation in pursuing local GDP growth, in order to gain personnel promotion because of the economic growth-oriented promotion criteria and the highly centralized top-down mechanism in political promotion (Lin, 2007; Zhou, L., 2007). This perspective emphasizes that the political incentive model of promotion tournament has been even more persuasive than the financial and fiscal incentive of local government behavior in explaining why local government officials become so enthusiastic about driving economic growth through launching urban expansion and construction (Zhou L, 2007). Zhou L (2007) believed that there is a common phenomenon that individual political interests have been valued more than group financial interests from the standpoint of local bureaucrats.

The rationale underlying this insight is partly due to the positive correlation between prominent GDP growth achievement and political promotion opportunity for local top officials, which has been founded based on the empirical study conducted by Zhou L et al., (2005). To explore more deeply, a significant prerequisite to the existence of this positive correlation is due to the long-existing political routine in which the top officials (could be just one or two chief leaders) in charge of local economic growth and urban development always maintain dictatorial power to arrange the way to achieve specific development goals based on their individual decisions (Zhou, F., 2012).

Zhou L (2007) provided detailed explanations on what a promotion tournament model would comprise and what specific contextual prerequisites are needed for adopting a promotion tournament model. According to Zhou, China's political and economic context comprises of a series of features and conditions that largely conform to the prerequisites for implementing the specific political incentive model of a promotion tournament (Zhou, L., 2007). These conditions include a highly centralized political system with concentrated power control of personnel appointment and promotion (Zhou, L., 2007), a similar economic development approach and ruling style conducted by different levels of local state from different places—which provide large extent of comparability of political performance—and a currently-running bureaucratic system that allows local top officials to wield enormous power in controlling the most important development resources without effective regulation and restriction (Zhou, L., 2007). For instance, local top officials not only wield executive power in project approval, policy decision-making and policy implementation, but also retain privilege in land acquisition, land transfer, and government loan privilege. That concludes the general context causes that enable the political incentive model of promotion tournament to effectively influence the behavior of local governments.

General types of comparison benchmarks among local top officials in China include both performance comparisons between present local leader and former leader in charge of the same region, and comparisons among local top officials come from different regions with similar levels of socioeconomic development (Zhou, L., et al, 2005; Zhou, L., 2007). The competition criteria set by the political incentive model of promotion tournament can be either GDP growth, or other comparable indicators. With the transformation of the main approach in promoting economic growth from local-industrialization to urban construction and land-centered urbanization, the general shape of local government behavior has evolved from running rural and local industries into running cities and land-centered urban development (Zhou, F., 2007;

2010; 2012). Within that general context, the most efficient way for local top officials to realize individual political promotion is through the development chain of urban expansion, land development, and large-scaled urban construction (Zhou L, et al., 2005). This explains the reason why local strategy of place-making and place promotion has become local officials' top concern for attracting domestic and foreign investment while urban construction and land development have become their primary means of competition for winning the promotion tournament as a political incentive model (Lin, 2007).

Zhou L (2007) further pointed out that a fundamental institutional guarantee for the effective operation of the incentive model of the political promotion tournament model is fairness and consistency of the rule implementation of the game; once the officials win out the rest according to the competition criteria, they get their intended political promotion opportunity. Accordingly, financial bribery and social tie (guanxi)-oriented approach of political promotion could be significantly detrimental to its operation (Zhou, L., 2007; Keith et al., 2014). This may also partly explain why the large-scaled anti-corruption campaign is so important to the party-state's survival and development.

According to the positive findings revealed in the empirical study conducted by Zhou L, et al. (2005), the implementation of the political incentive model of promotion tournament has successfully encouraged local leaders and cadres to deeply commit to regional economic growth. In this sense, the incentive effect of this political promotion system is prominent and has significantly affected local government behavior. According to Zhou L (2007), the incentive effects of the political promotion tournament are often magnified by local top officials at grassroots levels since only overachievers can seize the promotion opportunity out of the fierce competition. In order to launch the place-making and place-promotion strategies for raising political performance, local leaders and cadres may focus on overdrawing the important development resources with the aim of pursuing short-term economic growth

throughout their tenures, even at the cost of environment, power consumption, or even public well-being, all of which have been termed as the “negative effects” of the current political promotion tournament model (Zhou, L., 2007; Lin, 2007). In this regard, few scholars have paid attention to examining the context-embedded influence resulting from the place-to-place job rotation system on development scenarios and historical trajectories of urban development in local China.

### ***(3) Private-Public collaboration: financial incentive of local government to collaborate with private sector***

Public-private collaboration, or public-private partnership (PPP), is a wide conception that has been interpreted from many perspectives by different scholars and institutions. Jia & Sun (2009) generated three key dimensions from different academic conceptualizations toward PPP: risk sharing, benefit sharing, and normal collaboration object on public services centered on infrastructure. In the particular area of urban development, public services mainly include a series of basic urban infrastructures like road, railway, electricity network, and water facilities. This thesis focuses on the reason why local governments often adopt PPP model to collaborate with private sector in China’s context of land-centered urban development. In order to clarify this, it is important to first understand the evolving process of the particular institutions in charge of urban infrastructure in local China.

The post reform period after 1978 has exhibited a degree of economic power deregulation and privatization through a series of reform strategies including allowing private ownership and entrepreneurship into China’s newly created imperfect market. China’s central and local governments however, have still steered the ‘big ship’ of China’s economy through different types of government-controlled institutions in charge of property and asset management (Keith, M., et al, 2014). Central and local governments have been not only controlling more than 135 of the biggest companies in China, which are all state owned-enterprises, but also large numbers of mixed-ownership enterprises through the institutional mechanism of the party

committee intervention for selection of company board members (Lin, G. C., 2007; Lin, G. C., & Hu, F. Z., 2011; Keith, M., et al, 2014). Since the first decade of the 21st century when land and real estate development became China's most important and reliable economic development engine, urban infrastructure, real estate property, and land, all become the main forms of fixed property in the structure and composition of Chinese economy (Hsing, 2010). This development context has activated different types of state-funded urban investment enterprises with different administrative levels. These enterprises mainly include urban construction investment companies, urban transportation investment companies, urban water service groups, and other types of state-funded investment enterprises. Today all of them still have been continuously dominated by state-controlled ownership with limited extent of privatization, which has been under specific state control that is gradually liberalized (Lin, G. C., & Yi, F. X., 2011; Lin, G. C., & Hu, F. Z., 2011). The existence of these state-fund investment enterprises not only signifies a typical pattern of the governance approach of what Oi (1992; 1995) termed "local state corporatism", but also provides a platform for local governments to seek possible collaboration with private sectors when necessary.

As noted in the previous section, one of the major functions of these state-funded urban investment enterprises is to serve as an intermediary agency for local governments to use land mortgage to acquire large loans in the land-centered urban financing circle in local China. Apart from this, local governments may also easily launch the construction of urban infrastructure and public services through manipulating their self-funded city investment enterprises (Zhou, F., 2007). If there are problems in fund-raising or expenditure shortage, adopting various forms of public-private collaboration to engage private financial investments may provide an alternative to cope with these difficulties. According to (Jia & Sun, 2009), the original purpose of initiating PPP as a collaboration model is for making up the shortage of government funds and saving government spending in infrastructure provision through engaging private investment. This does not, however, confirm to the full picture of local state's motive. From the perspective of local governments, no matter

whether or not they have sufficient public expenditure on such infrastructure and services, it is attractive for them if there is an alternative to save that cost. Because investing in urban infrastructure and public facilities may require a large amount of money, especially in local China where there have been both self-determined local expenditure and incomplete monitoring mechanism towards the gray area of extra- and off- budgetary government revenue (Qian, 2003; Zhou, F., 2012).

#### ***(4) Resettlement and Compensation: a prominent social cost of land-centered urbanization***

The previous sections discussed the main causes of why local governments become enthusiastic about land-centered financialization, urban infrastructure construction, and real estate investment. When local government officials find an appropriate way of satisfying both sides of enriching local state revenue and fulfilling their personal ambitions of political promotion, they also need to take into account, the consequent social cost. One of the most prominent consequences of the land-centered urban development approach is residential resettlement and compensation for evicted residents from both urban and rural areas (Wu, 2004; Hsing, 2010). This phenomenon is especially prominent in suburbs and inner peri-urban areas where there is a blurred division between urban and rural areas because of the prevalence of urban expansion and emergence of “new city complexes” (McGee, 2007; Hsing, 2010). The imperative of residential resettlement for evicted rural people is resulted by land acquisition and demolition, while the resettlement imperative for evicted urban residents is often led by inner-city redevelopment and urban renewal (Hsing, 2010). Their resettlement sites sometimes overlap if urban renewal projects areas are implemented nearby the rural-urban fringes.

Local municipalities in different regions adopt different resettlement approaches. According to Zhang (2012), there are three main resettlement approaches for evicted



rural residents in local China, namely: “unified planning and construction”, “unified planning and self-construction by residents”, and “self-construction by residents”. Zhang (2012) discussed the advantages and disadvantages for each of the three approaches and has noted that the former two approaches are more frequently adopted than the last one because of the growing resettlement scale accompanied with the massive urban transformation and expansion. For evicted urban residents who used to live in urban areas, the resettlement approach has been centralized on the model of “unified planning and construction”, which ensures maximum uniformity and good order since their resettlement sites can be only located within urban planned areas (Wu, 2004; Li & Song, 2009).

In local China, urban public infrastructure and real estate development are two major causes that have led to the construction of resettlement housing (Xu, 2012). Local governments need to take charge of residential resettlement matters if it is caused by the former cause, but they have many alternatives in launching and financing resettlement housing construction. According to related literature, Zhangzhou city and the Longwen district of Huainan city adopted the resettlement pattern in which local municipalities take charge of both fund-raising and relocation housing construction through government-funded urban investment companies (Yang, 2008; Huang, 2012), while Xiamen city and Hangzhou city used the PPP approach of agent construction system to engage private construction agency in specialized housing construction through public bidding (Huang, 2012; Xu, 2012). If there are financial difficulties and relevant concerns, local governments may recruit non-public funds from private developers through providing an incentive of feeding private developers with primary urban land at prices substantially below market value, which has become a common practice for local governments to reduce their financial cost in residential resettlement in many places like Fenghua city (Luo, 2014). If the agent construction system is regarded as technical collaboration between local state and private sector, Fenghua’s model of PPP is more geared towards fund-raising and financial purposes.

Resettlement compensation policies also vary in different regions. Zheng (2010) noted that compensation policy direction in Hangzhou city evolved from monetary compensation to property right exchange in the last decade of 20<sup>th</sup> century, and again returned to monetary compensation approach since 2002 when a specialized local regulation had been enacted to legitimize both of the two compensation approaches. The implementation of the PRC's Property Law in 2007 contributed to the improvement of compensation standard in Hangzhou (Zheng, 2010). A similar policy change from in-kind compensation to monetary compensation has been founded in Wuhan city (Saimi, 2013). For most small and medium-sized cities like Huanan city and Xiangtan city however, in-kind compensation remains a major compensation approach for evicted residents because of the financial constraints and people's urgent residential needs (Huang, 2012; Xiao & Mao, 2014).

Many authors (Wu, 2004; Feng, 2007; Zheng, 2010; Saimi, 2013) have paid attention to the disadvantaged position of evicted residents in context-based benefit-sharing system and negotiation process involved with other key stakeholders like development companies and government agencies. There have been large numbers of cases and stories that have explained how native residents become victims of urban expansion, urban redevelopment, and land acquisition, as well as the consequential tensions and confrontations between local governments and grassroots societies. But this is far from the full picture of the story. In the aspect of big cities, based on a survey of 1200 households in Shanghai, Li & Song (2009) founded that the group of resettled residents have experienced better housing conditions than those of other groups of residents. Other literature (Ma, 2007; Hao et al., 2011; Liu, 2013) has pointed out the huge economic benefits gained by those native residents who lived in the particular form of "urban villages" in Shenzhen because of inner-city redevelopment. In the aspect of small cities, according to a detailed interview investigation, Xiao & Mao (2014) concluded that almost half of the informants held strong expectations that land acquisition and residential resettlement is a best life-changing opportunity they should seize, and even unconfirmed announcement and

news could make evicted rural residents become eager to adopt various measures to increase their area of property, in-house decoration grade, and any other compensation target, with the aim of pursuing maximized benefits from the side of compensator. These countermeasures often brought large troubles for local governments and real estate developers to initiate their profiteering urban development plan. It remains uncertain which side will be the winner or loser of the land-centered urbanization pattern.

## **2.3 Theoretical Framework of this study**

### ***2.3.1 Policy-driven urban transformation and corresponding behavior of local government***

In concluding this chapter, it is necessary to clarify the connections among each process before drawing out the theoretical framework. Since the main theme of central policy direction shifted from ideological conflicts to economic development in 1978, local governments in different regions become to put economic growth goals assigned through the top-down approach on their top policy agenda due to the highly-centralized political system and authoritarian governance tradition. This is the origin of a series of reforms and institutional restructuring that led to the changing behavior of local governments.

The underlying ideology and prevalent trend of thought should be analyzed before looking into the specific development approach and trajectory in a nation with distinct politico-economic context. Related literature (He & Wu, 2009; Zhou, F., 2012) revealed that since China accelerated its growth pace in late 1980s, there have been ideological influences from neoliberalism, marketization, and privatization in both the way the central-state formulates economic development blueprints and the way local governments adopt particular strategies in pursuing economic growth. The implementation of fiscal decentralization policy featured by the “fiscal-contracting system” is directly relevant to the formation of what Oi (1992; 1995) termed “local

state corporatism” and the local-industrialization-led growth approach, which together constituted an unbalanced central-local fiscal relationship that substantially weakened central fiscal capacity (Zhou, F., 2013). This is the institutional background of the subsequent fiscal and tax reforms, as well as the transition of general development approach from industrialization-led growth to the policy adoption of urbanization strategy.

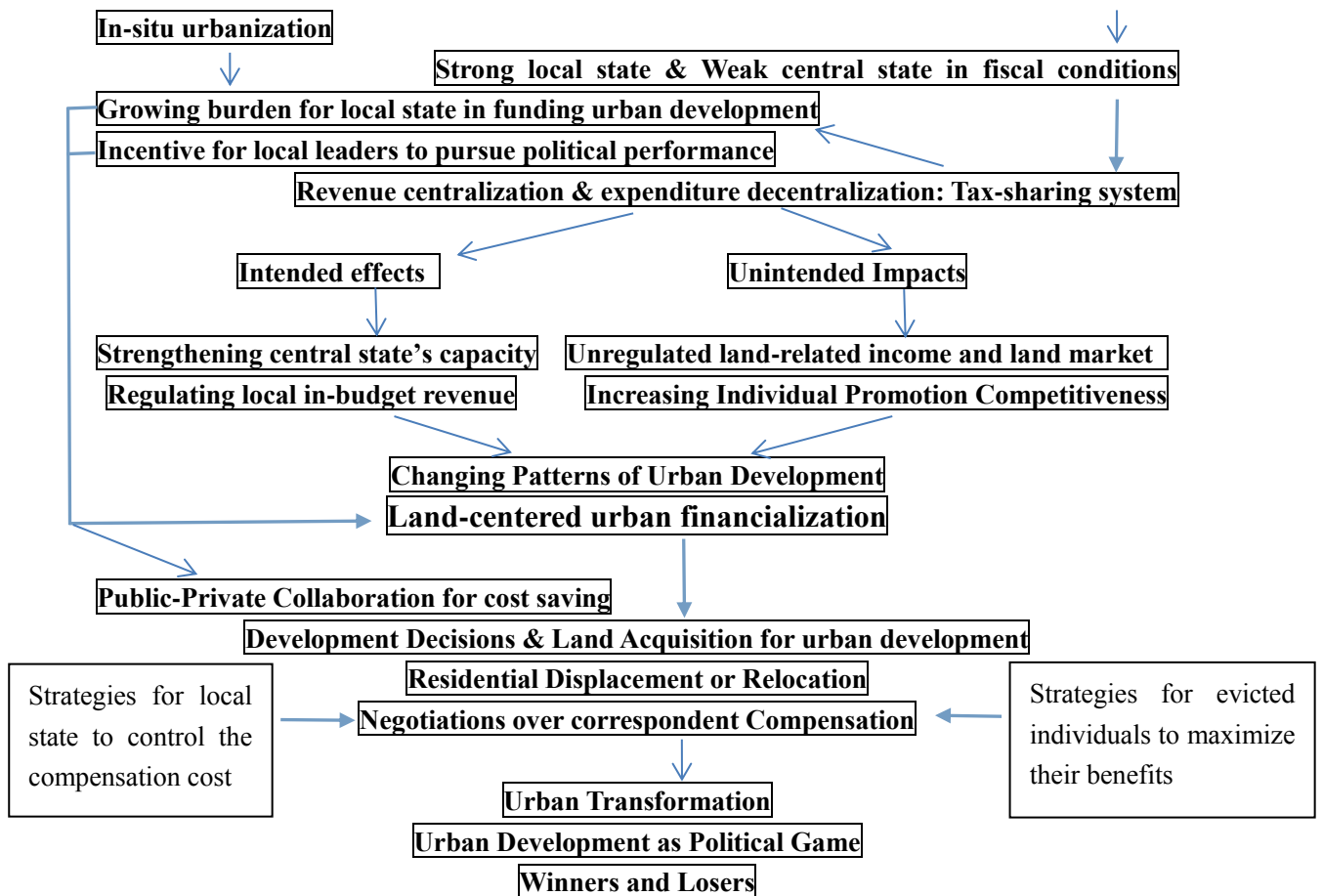
The initiation of a tax-sharing system in the mid-1990s turned out to be an effective strategy in redistributing the revenue of economic growth and re-intensifying the fiscal capacity of central state at the cost of urging local governments to give up the economic growth approach of promoting rural and local industries (Zhou, F., 2006). It happened to be the turning period when the policy climate of urbanization began to emerge with the implementation of the housing system reform and the enactment of the Land Management Law. Under these circumstances, for local municipal governments faced with substantial financial burdens caused by both of tax-sharing system and rapid influx of urban population, replacing the preceding growth approach of local-industrialization with land-centered urbanization as a new economic growth engine become a primary imperative. Soon after local governments became firmly committed to the development chain of urban construction and land-centered financialization since they found that it may serve multiple purposes including not only financial enrichment for the place, but also political fulfillment of individual ambitions of the local cadres. Local governments realized that they need to take consequent social cost resulted by this development chain. Even for the most prominent aspect of social cost—residential resettlement—local governments may adopt different alternatives of public-private collaboration to save public expenditure. All the possible links between different sections can be found in Chart 1.

Since the concept map summarized in chart 1 entails a comprehensive model of causal linkages among policy initiatives, consequences and countermeasures, an entry point needs to be identified for in-depth research and further exploration to fill the

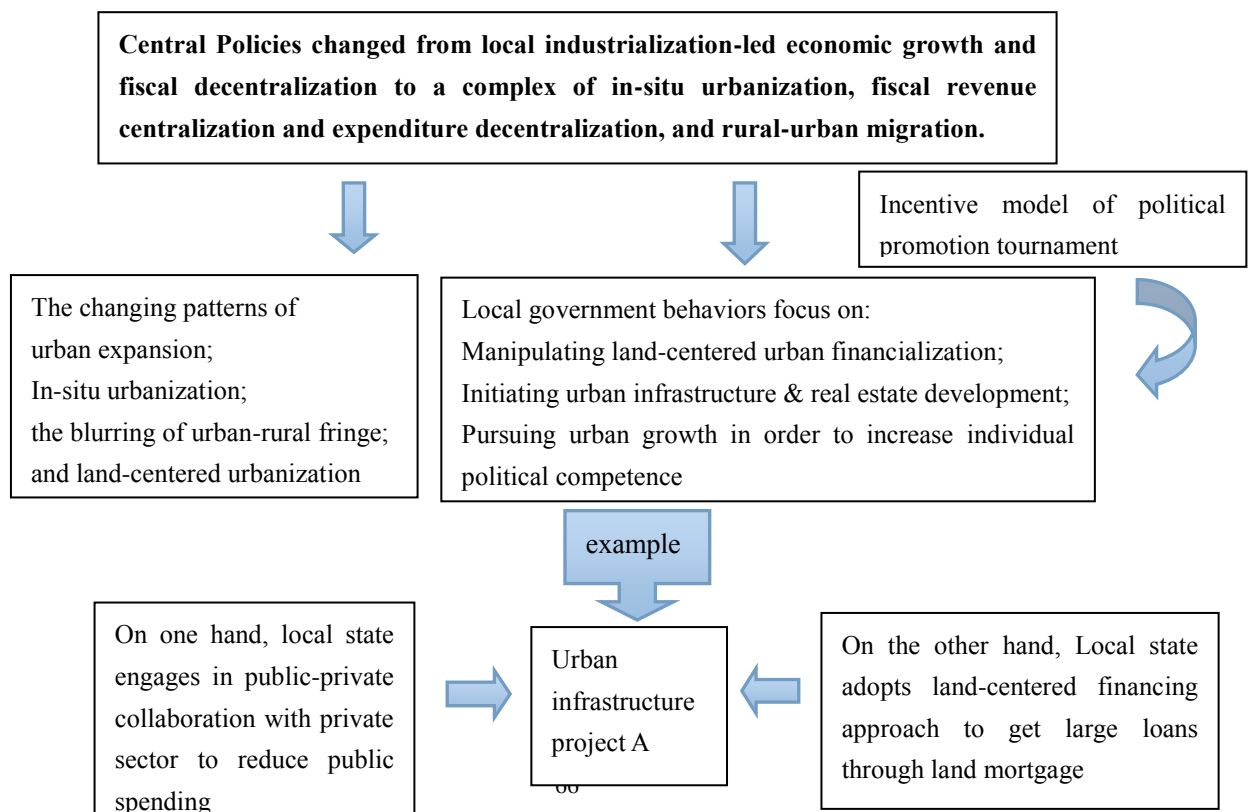
existing theoretical gap towards dynamics of local government behavior. This study focused on the way local government manipulate land-centered urban development and consequential residential resettlement in responding to the central policy climate of tax-sharing system and “new urbanization planning” featured by in-situ urbanization and rural-urban migration. The logic of the theoretical assumption attributes the main cause of local government behavior in land-centered urban development to the “hungry effects” originated from the unmonitored land-related income-generating measures and the financial pressure resulted from tax-sharing system and rural-urban migration (Zhou, F., 2012). Local officials’ political incentive generated from the model of political promotion tournament is considered as another dimension of that cause (Zhou, L., 2004; 2007). More importantly, the intended theoretical framework connects the “quasi-profiteering” initiatives of urban development and land finance with one of the most prominent social costs undertaken by local government—residential resettlement. Through this, many uncovered literature gaps including the rationale underlying local state’s adoption of state-private collaboration in residential resettlement as well as the way how local residents respond to such changes of development initiatives are to be examined in particular local contexts. These influencing factors toward local government behavior in urban development and residential resettlement can be found in Chart 2.

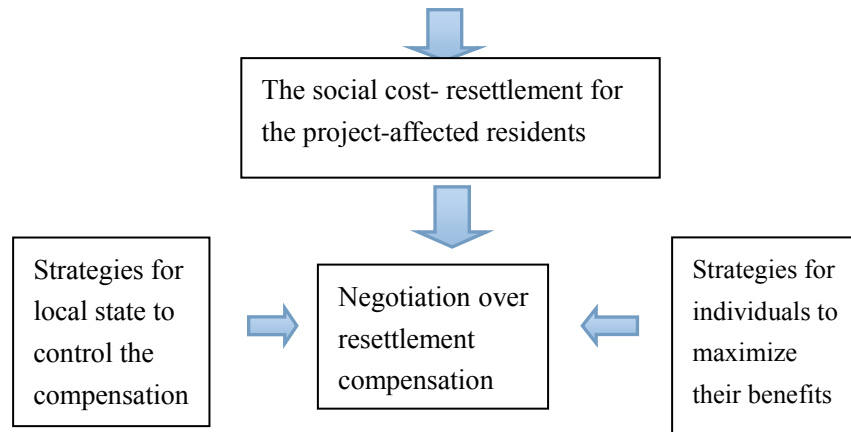
**Chart 1: A general thinking map of the initiatives, processes and consequences in policy-driven urban development**





**Chart 2: Analytic map of the key factors influencing local government behavior in urban development and resident relocation**





### 3.2 Significance of this study

The existing literatures has elaborated the rational and incentive underlying the local government behavior in manipulating land-centered urban financialization (Zhou, F., 2006; 2007; 2010; 2012; Sun & Zhou, 2013), in pursuing urbanization-driven economic growth through large-scaled urban expansion, infrastructure construction, and real estate development (Zhou, L., 2004; 2006; Zhou, F., 2007), and in initiating state-private collaboration for development and redevelopment affairs (Jia & Sun, 2009; Huang, 2012; Xu, 2012). Little scholarly attention has been paid however, to the possible dynamics, variations, and consequences of local government behavior in these aspects.

Although Zhou F. (2007; 2012) pointed out the usual operation mode of land-centered financialization though case studies of how local governments manipulate land finance and land mortgage in all typical territorial regions including large city, small city, or even county area, the particular operation mode of local government behavior in land leasing activities can vary from place to place and are still largely unknown. Sometimes processes of land sales in primary land markets through public-bidding or listing are not implemented directly for generating land-related income as a major part of off and extra government revenue, but have other potential purposes, deals, and

implications which have not been covered by the existing literature.

Zhou's (2006; 2012; 2013) work has been mainly centered on examining the dynamic casual effects of central fiscal policy changes on local government behavior in choosing specific approach to promote economic growth; nevertheless, possible relations between local government behavior and other central policies in social aspects have not been covered. This is an area that is to be explored through this study by including the policy influences of rural-urban migration and in-situ urbanization. Relevant analyses and discussions in Zhou F. (2006; 2007; 2010; 2012) have not provided detailed accounts in clarifying whether the casual effects of central fiscal policy changes on local government behavior is positive or negative in terms of influencing local social well-beings as a consequence of the local government behavior.

The local government behavior in running land-centered urbanization and financialization may result in social consequences for both urban and rural residents who could be affected by relevant urban development projects. A key responsibility for local government is residential resettlement. In this aspect, there are many possible scenarios that have been identified by relevant literature (Wu, 2004; Feng, 2007; McGee, 2007; Hisng, 2010). In today's urban development scenarios, the changes in local government behavior often led to consequential changes in the responding approaches and strategies adopted by local evicted residents because of the increasing awareness of materialism among people, therefore, the relationship between local government and evicted residents in terms of development-led residential resettlement, accordingly became a highly dynamic one which may deviate a lot from the previous rigid state-society relationship.

Nevertheless, there is little literature that relates to this dynamic relationship that is full of negotiation and interactive strategy gaming. Specifically, on the side of local governments, filling the research gap is based on explaining the complicated process



in how the local-state can ensure stability while retaining the benefits of land-centered financialization, as well as how it copes with the countermeasures, non-cooperative attitudes, and tricks adopted by the evicted residents. On the stance of evicted and affected residents, the existing literature (Wu, 2004; Feng, 2007; Zheng, 2010) has focused on how the local residents who have been affected by urban development projects resulted from either inner-city redevelopment or urban expansion. Many of these authors argued that these residents are often vulnerable groups. There are few literature revealed the possible toughness and strategies of theses residents in coping with resettlement arrangement and striving for benefit maximization. This is the knowledge gap that is to be filled through this research. This study served as an exploratory connection that bridged the rationale of local government behavior in manipulating land-centered urbanization, its social consequences on residential resettlement, and the process of how the evicted residents respond to such phenomenon.

## Chapter 3

### Research design and Methodology

#### 3.1 Research Design

Research design is a board concept that involves not only broad strategies, plans, and assumptions, but also detailed research methods of data gathering and processing. Compared with the later bundle towards more specific details at micro level, the former group contains more macro elements that involve the main directions of research. In this section, we only focus on the more macro aspect of research design.

The three general types of research design approaches are qualitative deign, quantitative design, and a mixed of both. Deciding which general research design approach is to be used for a specific research topic requires a systematic think. Because the adoption of specific research design approach need to match not only the philosophical worldview assumptions and specific research methods, but also the nature of research problem, researcher's personal experiences, and the audience(s) for the study (Creswell, 2009). The following sections are to analyze how each of these elements has been confirmed to combine into a particular research design approach for this study.

##### *3.1.1 Theoretical paradigm: social constructionism and reflexivity*

According to Snape & Spencer (2003), there are some modified versions of specific ontological positions, which may present the key ontological debates over the existing form of social reality in less extreme terms. This study holds an ontological position of one of these modified versions—subtle realism, which is a variant of realism

influenced by idealism. Unlike neither realism nor idealism, this specific ontological perspective admits that social phenomena and realities exist independently of people's subjective perception and understanding. The perspective emphasizes that social realities are only accessible through socially constructed meanings manifested in people's representations, which can be further interpreted by the researcher (Snape & Spencer, 2003). The adoption of this ontological stance is due to the researchers' belief that the external real world is multifaceted, so therefore fully understanding a social phenomenon or reality requires interpretations of correspondent subjective meanings from different respondents with diverse perspectives. The selection of the ontological perspective of subtle realism is also related with the researchers' precedent experience in accepting non-idealism philosophical assumption.

In terms of knowledge production, the general epistemological stance of this study is closer to the perspective of interpretivism, rather than the stance of positivism or empiricism. Interpretivism is a theoretical perspective in which social phenomena and realities can only be mediated through socially constructed meanings. Thus it is imperative to explore both the researchers' and informants' understandings if a social reality is to be deeply investigated (Snape & Spencer, 2003). In conventional formation of a theoretical paradigm in a social science study, epistemological stance and ontological stance often merge into a specific perspective of worldview. Creswell (2009) raised four typical epistemological and ontological worldviews, namely, post-positivism, constructivism, advocacy/participatory, and pragmatism. Among them, social constructivism is considered as the philosophical worldview for this study since the characteristics of the assumptions in this worldview conform to the possible research scenarios expected to be encountered in the investigation process of this study.

According to related literature (Ritchie & Lewis, 2003; Creswell, 2009), the social constructivist worldview assumes that individuals' subjective meanings are formed socially through interactions and discussions in specific social, political, and cultural

contexts. The focus of constructivism therefore, is on “the specific context in which people live and work” and “the goal of the research” is to rely as much as possible on both the informants’ perspective towards the social phenomena being studied and the correspondent interpretation reflected by the researcher (Creswell, 2009).

The nature of the research problem of this study entails an in-depth investigation on both the rational underlying the local government behavior in how local officials manipulate land-centered urban development and the way how evicted residents respond to the resettlement arrangement as a social cost led by urban development projects. In order to gather in-depth information from both sides of local government and evicted residents, especially for exploring possible rational and operation logic underlying the local government behavior in conducting urban construction, land sales, and public-private collaboration, the investigator needed to gather key information from local government officials through carefully listening to their tactful representations during interview processes. This key information can only be captured through the subjective meanings negotiated between the researcher and the informants, with corresponding data validity largely dependent on the quality of information provided by the informants (Creswell, 2009). Research participants’ subjective meanings formed through interview interactions are socially constructed, as both the informants’ elaborations and the researcher’s interpretations are largely shaped not only by their personal experiences and backgrounds, but also by the local cultural and political contexts (Creswell, 2009). For instance, the local socio-economical context in which the evicted residents live may influence the way they represent the social phenomena they have experienced. The predicted investigation scenario called for socially constructed and subjective interpretations from the people under study entails an epistemological and ontological worldview of constructivism, which impacts on both how the succeeding qualitative interview has to be constructed and how data is analyzed and interpreted.

In the constructivist worldview, the underlying epistemological stance of

interpretivism assumes that there is no complete neutrality and objectivity that can be produced by a researcher since the researcher and the researched social phenomenon always impact on each other and research findings are inevitably influenced by the researcher's perspective and values (Snape & Spencer, 2003). The researcher's task however, is to strive for what (Creswell, 2009) called "empathic neutrality and objectivity" through self-reflections on personal experiences, backgrounds, connections, and accompanying value-mediated bias, which impact on related data validity that relies on researcher's competence in representing subjective meanings of research participants whose interpretations are never a matter of direct access.

For this study, the researcher's self-reflexivity in assumption clarification has been partly declared by previous discussions on ontological and epistemological worldview. I acknowledged that the reflexivity can be further improved by elaborating the researcher's personal experiences, backgrounds, and involvement with the researched social phenomenon, all of which may have shaped my positions, values, and perspectives in this study (Snape & Spencer, 2003). The following are the researcher's assumptions and self-reflections.

In this research, the selection of the researched problem is based on the researcher's personal research interest. Considering the distinct nature of the research problem and China's local political and cultural climate, building effective connections with informants prepared for investigation could become the first priority strongly related with data validity and reliability, or even investigation accessibility. As the researcher of this study, I have personally grown up in the city where the researched problems of urban expansion and resettlement take places and thus have maintained comparative advantage in building connections with the research participants from the local political circle. Specifically, there are many local officials who welcome my research intent and field work investigation. Thus the interview investigations were conducted through the form of inter-personal consultation based on local social ties and mutual-trusts. Apart from these interpersonal connection resources, the researcher's

local knowledge in terms of geography, culture, city development history, officials' political contexts, and fluent local language are also important qualities which may influence qualitative research findings. These qualities, connection resources, and personal backgrounds of the researcher are emphasized here because in qualitative research design, the researcher himself/herself is a key instrument of data collection in the research, accordingly to what extent the researcher have such qualities, experience, and resources influence data interpretation and analysis and final arguments generated from the research findings (Creswell, 2009). On the other hand, as the researcher of this study, I also acknowledged these personal experiences, social connections, emotional involvements, and backgrounds may also bring potential bias in data analysis and interpretation. They are discussed here to make the assumptions more transparent and to increase the reflexivity.

### ***3.1.2 Qualitative approach***

Based on previous discussions, the choice of a social constructivist worldview, the nature of research problem, and the particular personal experiences of the researcher, all together have called for a more qualitative rather than quantitative or mixed research design approach (Creswell, 2009). Specifically, considering uncertainty within the research problem, as well as many unclarified relationships, rationale, and variables underlying the particular phenomenon under study, a qualitative approach is more appropriate research design strategy due to its strength in inductively describing and exploring the subjective views people attached to the issues under study (Creswell, 2009). The nature of the research objective in discovering meanings and interpretations rather than testing hypotheses set by the researcher, together with the inductive theory framework built in the precedent part of literature review, also accounts for the preference of qualitative over quantitative research design approach.

Moreover, the selection and final confirmation of the adoption of qualitative approach is also influenced by the function and purpose of this study. According to Ritchie (2003)'s broad classification of the functions of research, this research is a descriptive and interpretative study with a major aim of exploring research participants' subjective meanings and understandings of a social phenomenon of land-centered urban development, financialization, and corresponding social cost of residential resettlement, in a way that the assumed inherent nature could be captured by the researcher.

In terms of time dimension, this study aims to adopt a qualitative research approach to gather cross-sectional qualitative data which are to be gathered only once during the proposed period of investigation, in order to map the terrain of the research problem at a particular point in time. The constrained investigation time of fieldwork for this study necessitate the adoption of one-shot cross sectional research design rather than longitudinal research design.

### **3.1.3 Case study**

In the strategies of inquiry or general research methodology, there are normally 5 choices for a qualitative research design, including ethnography, grounded theory, case study, phenomenological research, and narrative research (Creswell, 2009). Among them, case study is proposed as the main strategy of inquiry in this study primarily due to its depth and flexibility in providing comprehensive descriptions and interpretations for specific contexts, population, and causal logic underlying social phenomena (Laws, K., & McLeod, R., 2004). According to Yin (1994), case study is particularly suited to the scenario in which it was difficult to separate characteristics of a phenomenon from its context. In this study, the necessity in elaborating the embedded local social and politico-institutional contexts confirm to the adoption of a case study approach. Based on Creswell (2009), case study is the most suitable

strategy of inquiry when the research objectives involve analyzing specific processes of events and projects, or exploring context characteristics related to the processes. This study has complied with these conditions since the research scope focuses on the process of the continuity from urban infrastructure development to residential resettlement project, and the causal logic between the financialization motive and the social cost concerns underlying the local government behavior in funding residential resettlement with the financial support from state-private collaboration. To summarize, the complicated local conditions, sociopolitical contexts, and cause-effect relations involved with the issues under study require a research methodology like case study to describe and analyze related issues in qualitative, complex and comprehensive terms.

If considering the end product, the research findings generated from a case study approach include a combination of description and interpretation since the intent of the study involves using descriptive data to develop conceptual categories for formulating final arguments through inductive data analysis and interpretation (Laws, K., & McLeod, R., 2004). The intent of this study in theory building and suggesting causal relationships among the tentatively-developed conceptual items, the research objectives toward filling a theoretical vacuum where little research has been conducted, as well as the lack of precisely defined hypotheses for a hypothesis-testing purpose, all contribute to the reason why the strategy of case study is chosen (Laws, K., & McLeod, R., 2004).

Another reason for the adoption of a case study approach concerns the availability and accessibility of field work investigation. Due to the specific nature of the specific issues within research scope, it is quite possible for the researcher to encounter many aspects of difficulties in the process of field work investigation. It was difficult to enter into related circles to get access to the research informants without inter-personal connection resources and other relevant backgrounds. This means a prerequisite for the availability of this study involved to what extent the researcher



prepared these resources well for investigating specific cases, which were typical and representative for the research problem. Compared with other strategies, case study was the preferred choice for this scenario since the initial selection of specific cases provided the researcher with a clear direction in building up necessary connections in the initial preparation stage of pilot study prior to the stage of fieldwork.

A large-scaled urban infrastructure project together with its correspondent residential resettlement project is selected as the major case under research. The major aim for choosing this particular case is due to its representativeness in manifesting the land-centered urban development pattern in the specifically chosen city. The chosen case involves not only one of the most massive development projects of infrastructure building and residential resettlement in the city, but also other relevant elements within the research scope including state-private urban development coalition, land-centered financialization, and interaction between local-state and local community of evicted residents. The chosen case has been especially typical of the unseen process of how affected residents in inner-peri urban areas have responded to, and made use of local residential resettlement arrangement on behalf of their own benefits. All possible cross sectional qualitative data were collected through specific research methodologies in field work investigation centered on this particular case.

#### ***3.1.4 Site of Research and consequent research limitations***

A medium-sized city G in an inland province at the southeast part of China was chosen as the research site focused by this research. This is because of two reasons. First, the existing literature on China's urbanization model and land development system have paid much attention on the development statuses of economically advanced coastal metropolises (Shanghai, Shenzhen, Beijing, etc.), major inland capital cities in each province (Guangzhou, Changsha, Hefei, Chengdu, Zhengzhou,

etc. ), and regional development center with specific reputations (Dalian, Dongguan, Wuxi, etc. ), while few studies have been conducted on large numbers of small and medium sized inland cities which may have different patterns and processes of urbanization. Second, the researcher has personal involvement with the local social networks in city G because the researcher has experienced a internship in relevant local bureaus. This also entailed the selection of this research site over other municipalities because such involvements prior to field work investigation usually determines the extent of research availability, investigation accessibility, as well as data validity and reliability for such issues under study. In-depth information through reliable and qualified data sources, which can be insured by the researcher's local connection resources, is always a significant determinant concerning data validity and reliability in qualitative research design approach.

The researcher understands that the selection of city G as the single site of field work investigation may lead to investigation bias in data collection and generation, observation bias in case description and illustration, and interpretation bias in data analysis, research finding formulation, and argument discussion (Laws, K., & McLeod, R., 2004; Creswell, 2009). Due to the constrained research time and the difficulty in exploring entrance of field work, the general strategy of inquiry in this study was not planned to raise equally qualified qualitative data generated through similar cases from other municipalities with paralleled demographic and socioeconomic status. Lacking of inter-regional case comparison may influence the data validity and representativeness of research findings in addressing the research questions (Laws, K., & McLeod, R., 2004). Because of the difficulty in conducting comparative analysis, the major concern over the disadvantage in choosing city G as the case site involves the extent to which the pattern and process of urban development and residential resettlement in such a research site may represent for a general average condition in provincial China.

According to the official classification of city scale (The State Council, 2014; the

national new urbanization planning 2014-2020) in 2010, a total number of 658 Chinese cities have been classified into 5 main categories and 7 specific types based on demographic size of resident urban population. These 5 major categories are respectively small cities (with lower than 500000 urban residents), medium cities (between 50 thousands and 1million), large cities (between 1 million and 5 million), mega cities (between 5 million and 10 million), and super cities (more than 10 million). Based on this classification criteria, the selected research site of city G belongs to the category of large city since the size of resident urban population in city G reached 3.45 million with an urbanization rate of 48.52% in 2014, among which the size of the resident urban population with a registered urban household came to more than 1 million (Provincial statistical bureau, 2015).

If the representativeness of the research site is considered only in the perspective of city scale with a major feature of demographic status, city G is a good choice since it sits in the middle place between either the seven specific demographic categories raised by the national new urbanization planning 2014-2020, or the five city scale types raised by the State Council (2014). In terms of urbanization rate, city G has reported relevant data of 48.52 % in 2014, which has been slightly lower than the general urbanization rate (54.77%) of the country (State Statistical Bureau, 2014). Considering the common practice of possible overestimation towards urbanization rate and urban population size in China, the representativeness of city G in manifesting a common pattern and process of urban development and residential resettlement is also acceptable. This has led to a quasi-hypothesis assuming that inland prefecture-level cities may signify an important geographic container for China's massive urban development and residential resettlement.

According to the national new urbanization planning 2014-2020, until the year 2010, there have been 103 such "large cities" with the size of resident urban population between 1 million to 3 million, accounting for a proportion of 15.7% to the total number of Chinese cities. This rate is only lower than the proportions of so called

“medium cities” which account for 21%, and “small cities” which account for 53% to the total, respectively. This means that even the numbers of inland cities with similar geographic size and socioeconomic status to city G are large, this type of city scale remains not the most prevalent one, in terms of its percentage to the total categories of Chinese cities.

## **3.2 Research methods**

### ***3.2.1 Profile of research informants***

The targeted informants of the qualitative research design in this study mainly include two general groups of research participants: relevant local officials and relevant evicted local grass-roots residents involved with the residential resettlement. The common characteristics of the profile of the relevant local officials as the first group of research informants include, first, that all of them live with an identity of civil servant at medium and high administrative level in local municipal context; second, most of them have certain extent of power influence on city G’s urban development affairs; and third, most of them know each other because of both the constrained political circle in city G and the adoption of snowball-sampling approach. This specific group of research informants were planned to be recruited based on the criteria of both the extent to which their occupations are closely related to construction-led residential resettlement, land development, and land finance, and the extent to which they can be accessed through the researcher’s local interpersonal connection network.

According to the planned recruitment criteria and concerns over research availability, the first group of research participants was intended to include snowball-sampled officials from the following local bureaus:

Municipal government's office of urban residential relocation (MOR), municipal bureau of land and resources (BLR), land reserve center (LRC), municipal development and reform commission (MDRC), municipal finance bureau (MFB), municipal tax bureau (MTB), and municipal bureau of urban planning (BUP), all of which are the local units most relevant to the researched issues under this study.

Among these relevant bureaus, the importance of MOR to this study needs to be addressed. MOR is a specialized agency founded by the municipal government in 2013 in order to deal with all the issues raised by residential resettlement. MOR has also been empowered with multiple aspects of authorities in land acquisition, development project planning, project approval, and mediating the relationship between municipal government and district-level government. Personnel in the MOR including the key director and other staff members come from all the 6 distinct local bureaus identified above. Most of their membership credentials remained in the original bureaus most relevant to the researched issues, which means that most of these MOR staff are temporarily transferred from their original bureaus. For example, the director of MOR has previous working experiences and occupation backgrounds in both the land resource bureau and land reserve center, which contributed to his importance as a key informant in interpreting the causes, processes, and outcomes of urban development and corresponding residential resettlement in city G. This particular personnel constitution made the MOR a perfect site of informant selection for qualitative in-depth interview, because the interviewees here already have good representativeness.

Another particular group of research informants is constituted by the evicted local grass-root residents involved with the construction-led residential resettlement project as the case project under study. In terms of residential identity differentiation, this particular group comprises both rural residents and urban residents. The rural residents had been previously lived in a rural village landscape in the inner-peri city area located at the front-line of city G's urban expansion. Most of them have retained

a rural household identity with some hesitant to pursue a rural-urban identity transition since a mainstream concern prevailed among them is that rural identity may bring more benefits. This is largely due to the particular geographic location of the village, which could become an advantage for these rural residents in claiming for more compensation item when possible events of demolition and rural land acquisition take place.

There has been prominent differentiation in social status of the evicted rural residents. In China's local rural context, local village cadres and their relatives, powerful villagers and business man always have better socioeconomic status than the majority of ordinary rural residents (Hsing, 2010; Keith et al, 2014). The existing literature has mainly focused on the reason why the group of "victims" became dissatisfied with the "unfair" compensation conditions arranged by local government and the way these people claim for their own interests. Nevertheless, little scholarly attention has been paid on possible dynamics and variables that may result in differentiation in compensation obtaining or reimbursement, especially on the issue of to what extent does the socioeconomic status determines the rural residents' satisfaction towards residential resettlement compensation.

The evicted urban residents previously lived in a residential area of a pre-existing SOE (state-owned enterprise) that had ended in 1997, with all of its employees beginning to receive support of basic standard of social welfare and medical insurance from then on. Since city G had embarked on the growth engine of urban expansion and inner city redevelopment at the middle of the first decade of the new century, this residential area was affected by one of the most large-scale urban infrastructure projects in city G, which is named as "XZ project" in this study. This targeted project includes a vital transportation link runs through 3 of all the 4 urban districts under the jurisdiction of city G's municipal government. It is thus supposed to be a typical project that may signify a general situation of urban development and urban expansion in the city. The implementation of XZ project has brought prominent

driving effects to prosperity and construction of roadside facilities at the price of moving the evicted urban residents from their original residential area to the resettlement site assigned by local government. The resettlement site is located at an inner-peri urban area in which rural and urban land mix together. This is the reason why this government-allocated resettlement site led to rural land acquisition and building demolition which influenced the group of evicted rural residents.

### ***3.2.2 Sampling method***

In terms of general sampling strategies, this study used non-probability sampling for selecting the sample units from the parent population in the study because of two reasons. First, probability sampling is not appropriate for qualitative research design; second, the intended size of both the samples and the parent population in this study is small-scaled while the intended research findings are to include in-depth information, which are both suited to a non-probability sampling strategy (Ritchie et al., 2003). With the adoption of non-probability sampling strategy, the sample units are not intended to be statistically representative for the sampled population or parent population since each of these sample units is not statistically selected. On the contrary, these sample units are, to certain extent, purposively selected to reflect specific features of the sampled population, which may constitute a sampling bias (Ritchie et al., 2003).

Identification of the parent population, or sampled and targeted population, is the first step of sample design. According to the preceding section, there are 2 intended groups of research participants in this study: local officials from the 6 distinct local government bureaus, and the project-affected rural and urban residents, respectively. Based on the preliminary works conducted in the pilot study stage, research participants from these sources were the most important stakeholders to the research questions set by this study. Accordingly, they were believed to be able to provide the

richest and most relevant information concerning the issues under this study (Ritchie et al., 2003). These informants have constituted the parent population for the study.

The main approach that generates the sample frame from the parent population is purposive sampling. Considering the limited time and resources, as well as the basic narrative findings to be achieved, purposive sampling is the best strategy to choose research participants for this study (Neuman, 2007; Flick, 2011). Another reason is that this study aims to generate deeper understanding from the target informants in a constrained sample size rather than general characteristics of larger population, which is another appropriate aspect for adopting a purposive sampling strategy (Neuman, 2007). The sample size is expected to be a small one due to the limited time and nature of the researched problem. The sample locations are confirmed based on the selection of the site of research.

The purposive sampling strategy adopted in this study involves considerations over sample selection criteria, but it is not a pure criterion-based approach. Based on Ritchie et al (2003), the choice of purposive sample selection criteria is influenced by the research objectives underlying the research questions of the study. Accordingly, in this study, the purposive selection criterion for the relevant local government officials is to what extent they are involved with the local implementation of land-centered urban development (land finance, land sales, and land acquisition) and residential resettlement as its social consequences, or to what extent they know such local implementation practices. The purposive selection criteria of the project-affected rural and urban residents are likewise considered in such a way. Determining a sample strictly based on these criteria is not feasible however, since addressing the problem researched in this thesis requires unusual sensitive information, deep subjective understandings, and in-depth interpretations, all of which are more likely to be gathered from the research participants who have mutual trusts with the researcher. This is the reason why the formation of the sample frame through the purposive sampling method in this study relies more on practical concerns rather than the



simplex adoption of criterion-based approach.

Specifically, the particular sampling method adopted in this research can be categorized as a mixed approach of convenience sampling and snowball-sampling. The sample frame is to be generated through both of the two sampling strategies with specific sequence. Given the limited time for field work investigation, convenience sampling, as a specific variant of purposive sampling, was used at the beginning stage of sampling process to select a few primary research informants who supported the researcher during the field work period and become the reliable cornerstone for the subsequent implementation of snowball-sampling. According to the specific nature of the convenience sampling strategy identified, the selection of the primary informants was based on two concerns. On one hand, they were very resourceful people in the local political and social contexts and fully met the purposive selection criteria in this study; while on the other hand, they were more easily accessible for the researcher under the circumstance during the specific period (Flick, 2011). The primary informants in this study included a top local official at deputy mayor level, a key director in charge of the MOR, a key local village cadre and his relative who have prominent family status in the community of the evicted rural residents affected by the targeted project, and two representatives of the urban resident affected by the targeted project, who welcomed this investigation. These primary informants are believed to be the breakthrough points for investigating and sampling the 3 distinct groups of the parent population, respectively.

When more sufficient data from more research participants is required, a snowball sampling technique was used as a supplementary method for expanding the investigation to other possible research participants and informants who also met the purposive selection criteria in this study. All the sample units of local officials from the 6 distinct local bureaus were selected based on personal recommendation from either the top local official at deputy mayor level, or the key director in charge of the MOR. Similarly, the sample unit selection of the evicted local residents was also

based on personal recommendations from the key local village cadre and his relative and the two representatives of the evicted urban residents. The approach of personal recommendations adopted in this study is actually the process of asking the primary informants to identify other research participants who fit the purposive selection criteria. According to Ritchie et al (2003), this approach is particularly suitable for the intended sample frame with a small-scaled sample size, as well as the sensitive nature of both the purposive selection criteria and the researched issues under this study. Even adopting this snowball sampling approach centered on personal recommendations may possibly bring many familiar faces and similar attributes among the research participants, which can largely affect the diversity of the sample frame (Ritchie et al., 2003), it is almost unfeasible to search for research informants who are willing to participant in the investigation on such a topic without these measures. Since political restrictions could become vital concerns for both sampling and informants selection and confidentiality requirements and issues are possibly involved.

### ***3.2.3 Methods for data generation***

The decision on which specific research methods were adopted has been influenced by nature of researched issues, specific strategy of inquiry, and researcher's anticipation towards the accessibility of possible data sources for data generation (Ritchie, J. & Lewis. J., 2003). In this study, the investigation of the researched issues requires not only primary data sources generated from the research informants' reflections and subjective meanings, but also secondary data sources to describe the contexts in which the researched events take place and the backgrounds of the research participants. With the researcher's practical consideration towards data accessibility, among various data collection methods, individual in-depth interview was considered to be the investigation technique that best provided the needed primary data source while documentation analysis is the approach which best

provided secondary data source needed in this research. Considering both of the two research methods are well matched with the proposed strategy of inquiry-case study, in this study, these two types of research methods- documentation and individual interview, were employed as the main research methods for data collection and interpretation in this research (Ritchie, J. & Lewis. J., 2003). Personal observation and communication was adopted as the supplementary research technique to check the consistency of the data gathered from both methods of documentation and individual interview.

### ***(1) Documentation***

Documentation analysis is a particular research method aiming to illuminate the substantive content and deeper meanings of the documents that were significantly related to the research issues (Ritchie and Lewis, 2003: 35). The research method of documentation was adopted in this study because of two reasons. First, since the research questions have been raised to focus on the local dynamics in the way how local government manipulate land-centered urban development and PPP-involved residential resettlement, the nature of such a research topic necessitates deep understandings and elaborations on the research setting and background. Among various research methodologies, documents review is one of the most appropriate and reliable data source in gathering effective information and valid data which may vastly demonstrate the general research setting including local socioeconomic context of the research site, project context, and the profiles of the relevant organizations and research informants. Second, the complexity inherent to the research situations which “cannot be investigated by direct observation or questioning” (Ritchie and Lewis, 2003: 35), is another consideration for the adoption of this research method. The significance of the adoption of documentation analysis reveals its indispensability in collecting the most relevant information for understanding local government behavior involved with the research issues centering on such a research topic.

In this study, the intended documents are mainly centered on government internal documents. The reason is that with the particular research scenario, the intention and operation logic underlying the local government behavior is thought to be largely inferred through interpretations and analyses on relevant government documents, rather than various types of public document like media online reports and newspapers. The specific types of documents that were collected in this study include formal and informal government documents. The specific nature and source of each of the document items are introduced as follows:

- Formal and normative documents include three main categories:

- Official documents, orders, and papers in form of government archives, which are relevant to understand general backgrounds of the research site, project process, and profiles of research participants. These documents have been usually collected in relevant offices and department bureaus. The accessibility for research is relatively low.

- Online publications of statistics, reports, news, and announcements about demographic structures, socio-economic status, and other local knowledge relevant to understand contextual backgrounds of the research site, project contexts, and targeted groups of research participants. The accessibility for research is relatively high because of the publicity.

- Local legal regulations and other existing normative-legal documents relevant to understand legal and institutional contexts of the researched issues under study. The accessibility for research is relatively high because of the publicity.

- Informal document drafts in form of government archives. This type of documents is even more important for data collection and interpretation of this study. There are also three main categories in this regard, all of which are of relatively low

accessibility for research.

- Project-related materials and internal consultation paper relevant to understand the pattern, process and details of the purposively selected project towards urban development and residential resettlement, as well as the operation mode of public-private collaboration involved with the project.

- Unpublished statistics and reports. Key content in this type of documents mainly include quantitative and numeric data concerning the local fiscal and tax system, land finance and land mortgage.

- Minutes from formal meetings and informal assemblies relevant to understand the policy agenda, local political routines, and internal decision-making process in terms of urban development and planning strategies of residential resettlement.

## *(2) In-depth interview*

The approach of individual in-depth interviews was adopted as another data collection method for this research. Because of the highly centralized political system as well as the prominent individual impact of local officials on local economic growth, urban planning and urban development in China (Zhou, L., 2004; 2007), the intentions, ideas, and plans of relevant local officials can largely reflect the logic and rationales underlying relevant local government behaviors in specific local context. In this regard, individual in-depth interviews was the most appropriate research method to gather relevant qualitative data through encouraging the in-charged local officials to elaborate their options and perspectives on the researched issues (Creswell, 2009). Second, the involved grass-roots rural and urban residents have gradually formed their specific way in coping with the politically-embedded processes of land requisition and residential resettlement. The method of individual interviews is well

suited to explore not only their subjective understandings toward relevant researched issues based on their own experiences and perspectives, but also concealed local knowledge and sensitive but unclassified information which are only suited to be discussed through in-depth interview between individual informant and researcher (Creswell, 2009).

The individual interviews were conducted in a semi-structured format and were sound-recorded. The data transcription was made by the researcher independently. The targeted informants of individual interview equate to the targeted informants of the qualitative research design in this study, which are constituted by two general groups of research participants: relevant local officials and relevant local rural and urban residents involved with the residential resettlement. Two distinct stages of interviews have been conducted respectively on the two different groups of interviewees.

In the first stage, a total of 14 in-depth individual interviews were conducted within a three months' period in 2014. The length of time of these 14 interviews ranged from 30 minutes to more than 1 hour. The interviewees include the director and staff members from the MOR and snow-sampled officials from the other 5 relevant bureaus in city G's political circle. 8 out of the 14 interviews were conducted between the researcher and the officials from the MOR. The reason why multiple-rounds of interviews were centered on people from this single bureau is because of the specific personnel constitution of MOR, which has been emphasized in the section of "profile of informants". Furthermore, with the aim of interviewing different people for a consistent check, six one-time interviews has been conducted on each of the snowball-sampled officials from the 6 relevant local government bureaus, respectively. Each of these interviewees has been asked about same categories of questions with emphases on the respective areas.

The second stage of individual interviews was focused on the group of local residents

evicted during a large-scaled urban development and residential relocation project named “XZ project”. Among the interviews, 10 rural residents from different households of the villages suffered y XZ project and 20 urban residents from different households evicted by XZ project were asked about same categories of interview questions. Three relevant local village cadres from the same village were asked about another set of questions though in-depth interview. For checking on a complete list of all categories of interview questions conducted on both of the two groups of informants, please see Appendix B. With the support of the primary informants’ interpersonal networks, all these local residents and cadres were selected through a snowball-sampling approach. The strong network and influence of the primary informants (the local village cadre and his relative) enabled the researcher to select interviewees with different family backgrounds, age, sex, and income status and filter those interviewee candidates with similar attributes.

### ***(3) Personal observation and communication for checking data consistency & validity***

In order to further ensure data consistency and validity, personal observation and communication was adopted as the supplementary research technique for checking the qualitative data gathered through documentation and individual interview. Unlike both of the two research techniques discussed above, the application of personal observation and communication in this study did not contain any formal protocol in advance of its implementation. Personal observations were taken through the researcher’s shorthand and memory recall of the key information derived from natural settings including project-approving conferences, office’s internal discussion, and informal interpersonal chats toward the researched issues. Within this approach, the role of researcher was a reticent onlooker rather than a direct participant. The targets of observation were mainly centered on relevant local officials. The sites of observation include relevant government offices, conference rooms, and leisure places

where they often like to go. The relevant local residents were not included in the observation targets since personal communication and informal conversation is considered to be a better way for checking data consistency of their descriptions.

Personal communications were taken through the researcher's direct participation in the informal discussions and conversations with relevant targeted informants including both local officials and local residents. In contrast to the previous adoption of individual interviews, the research technique of personal communication does not contain formal protocols and semi-structured procedure in its process of implementation in this study (Creswell, 2009). During the fieldwork process, personal communications were always taken right after each individual interview. Since it is possible for on-the-spot shorthand to impact to the natural conversation, dialogue, or the truth-telling probability, the content of communication was recorded by the researcher by hand only after the conversation came to its end. Considering the sensitivity of the issues to be discussed, informal conversation could be a more effective way in not only examining the validity and consistency of existing data, but also exploring more comprehensive interpretation from the informants.

#### ***(4) Analyzing qualitative data***

Based on the theoretical framework towards the influencing factors of local government behavior in urban development and residential resettlement, which has been previously identified in the Chapter 2, there are many aspects of theoretical gaps and dynamics of the researched phenomena that need to be addressed through the methodology of grounded theory. Since the objective of this specific methodology is theory development and adjustment centered on the identification of major conceptual categories and constructs developed from a bottom-up approach, a systematic and inductive procedure of data analysis is needed to extract key contents from the rich descriptions of the documentary data, interview transcriptions, notes on personal



observation and communication. According to related literature (Laws and McLeod, 2004; Braun and Clarke, 2006; Creswell, 2009), the most appropriate way of data analysis for this particular use and purpose is inductive thematic coding.

The process of inductive thematic coding in this study is made up by three distinct stages. The first stage is organizing raw data. Qualitative data from both the sources of documentation and individual interview were summarized into short paragraphs and the excessive and overlapping contents were deleted through a first-time reading and examination. The differentiating criterion is the data relevance with the issues under research. These short paragraphs were then further compared and checked for data consistency with the reference of the notes derived from personal observation and communication. The preliminary step of qualitative data generation was thus completed before the second stage of initial coding started.

After reading through the prepared and filtered qualitative data for a second time, the key points and important ideas which carry the inductive meanings out of the data through a bottom-up approach were raised as the “initial codes” in this research. All the terms used to label these key points and ideas were developed from the original language of the research informants in order to avoid possible subjective preconception (Creswell, 2009). The key points and categories developed through the initial coding process were coded as specific as possible. There have been dozens of different codes generated through this stage.

The final stage of data analysis in this study was theme generation. The large numbers of initial codes were summarized into dozens of sub-themes through repeated comparison and examination. The initial codes less relevant to the researched issues identified in chapter 1, were not covered by the sub-themes. Then, with reference to the identified theoretical gaps in Chapter 2, these sub-themes were extracted into several major themes. All 3 stages of the inductive thematic coding process were conducted by the researcher independently. The respective coding outcome at each

stage of the coding process had been kept for referencing purposes for data interpretation and theory development in Chapter 6.

#### **3.2.4 *Ethical considerations***

During the interview investigation process, the participation of all the research informants was on a voluntary basis. There must however, be some particular reason for them to become voluntary to participate in the qualitative interviews since they are very unlikely to be voluntary to do so under normal circumstances due to the potential risks for their participation. Even the specific worries of the local officials were not completely equal to the particular concerns of the local residents, the potential risks for their participation included more similarities. First and foremost, the researched issues under study involve many sensitive things for them, and any possible leak of information could lead to negative effects to either their lives or careers. Moreover, based on the ethical routines of qualitative research, the interviewees should be informed of the basic intent of interview and accordingly present their contents or refuses before each interview begin if all the interview processes need to be recorded by the researcher though voice-recording. This prominent “evidence” of possibly sensitive dialogues may largely increase the potential risks undertaken by these informants from their perspective. This has been already proved though the pilot study conducted by the researcher prior to the field work.

It must be highlighted that during the field work period, all the informants’ voluntary participation was largely due to their personal trusts in the previously mentioned primary informants rather than the researcher, since first, they are often subject to the either personal prestige or network influence of the primary informants, and second, they did not even know the researcher without the primary informants’ recommendations. Therefore, acquiring the primary informants’ complete trusts,

consent, and support is a prerequisite for the researcher. As far as the researcher is concerned, perhaps the most important ethical consideration which may reassure the primary informants is keeping all the research sites and informants confidential, because most of the primary informants agreed to contribute to this research only under the premise of “being responsible for all the research participants and keeping their information safe”.

Confidentiality and privacy thus became the most important ethical principal in this study. The researcher adopted various measures to implement this ethical principal. Confidentiality agreements and consent forms were signed before each interview commenced, which include permission of sound-recording. For ensuring privacy and information security, pseudonyms of all the informants, places, research sites, and projects were used in both data transcription and thesis writing. Both the raw data and transcribed data were stored in a password-protected notebook accessible only for the researcher. For maintaining mutual trusts and collaborating transparency between the primary informants and the researcher, the researcher promised to send back the whole thesis to some of the primary informants including the top local official, the director of MOR, and the local village cadre, before the thesis is to be handed in for publication.

### **3.3 Research process and procedure**

The limited time of fieldwork for this study necessitated that the researcher has to adopt a one-shot cross sectional research approach in order to gather one-time qualitative data from the sites of research. Considering the constrained time of fieldwork, the researcher applied for a short time of pilot study in order to get familiar with the research sites and targeted research participants. Specifically, the time spent on the pilot study allowed the researcher to reinforce mutual trusts with the previously mentioned primary informants through in-depth discussion and transparent elaborations on the nature and purposes of this study. Agreements have been made

between the research and the primary informants that the researcher can gain supports from the primary informants whereas the researcher should never expose any specific information in the thesis, including names of government informants and the projects under research. Although only less than one month had been spent on the stage of pilot study, this period of preparation had already laid a solid foundation for the implementation of succeeding field work. The outcomes of the pilot study include both the connection-building outcomes between the researcher and the primary informants and the confirmation of which specific government bodies and relocation venues the researcher decided to go for field work investigation.

With the supports of the primary informants, I began my fieldwork in mid-2014 at the chosen research sites, including the government bureaus and resident relocation venues of the targeted project in city G, all of which have been specified in chapter 5 and 6. I spent three months doing fieldwork in the municipal government's office of urban residential relocation (MOR), which has been used as my study base to visit other government bureaus related to the investigation. With the identity of MOR intern and the primary informants' supports, I acquired both the permits to enter other government bureaus for document collection, and relevant government officials' trusts and consents to attend in-depth interviews. During this period, I completed the data collection processes comprising documentation and in-depth interviews on the government officials, and a relocation project that involves public-private collaboration and large groups of urban and rural residents has been confirmed as the targeted project of this research.

After the completion of field work investigation in the government circle, I went to the chosen resident relocation venues to seek opportunities for conducting in-depth interview with the project-affected residents. These evicted residents, especially the rural group, were very sensitive of entering into talks with strangers. In order to get access with evicted urban residents, I tried to chat with old people and women to build connections before inviting them to in-depth interviews. For approaching the rural

residents with great care, I used my family network to search for possible connections with the local village cadres and his relatives who have prominent reputation in the rural community. Their personal recommendations have been used as way to conduct a snowball-sampling to identify other evicted rural residents as research participants.

All the needed interviews have been well conducted and taped at the end of the field work. The qualitative data was transcribed by the researcher independently during the period from January to March, 2015. Relevant quantitative data in form of tables and statistics was gathered from relevant informants during the two months between April and June. Meanwhile, qualitative data analysis and interpretation was completed also by the researcher without assistance during the same phase.

## **Chapter 4**

### **Common models, frameworks, and institutional settings of land-centered urban development in local China: land acquisition, resident relocation, and land-centered financialization**

#### **4.1 Institutional processes, patterns, and legal framework: Legitimizing the power of local government in disposing land-centered urban development and residential resettlement**

The concept of land-centered urban development in this study emphasizes the transferring trajectories of land use rights from one party to another. With China's particular legal and institutional settings, local government plays a central role in conducting land-centered urban development and its consequences. The regular and legitimate processes of land use rights transfer can be generally divided into two major dimensions, according to the moving direction of land resources. The first dimension connects the ways in which local governments centralize land resources through acquiring different types of land from different sectors and subjects. The second dimension connects the processes in which local governments manipulate various types of land provision (including land sales and land allocation) and land-centered financialization (including land mortgage and land financing) through the acquired land under control and in form of land reserve.

The formal dimension is centered on various categories and forms of land acquisition, while land provision is significantly associated with a series of consequences and

costs resulted from building demolition and residential resettlement, which have been faced by local governments as the party of land provider and the newly legitimized land users. The cause-and-effect connection between the two different dimensions is based on relevant legal terms which regulates the processes of demolition, compensation and residential resettlement as legal prerequisites for land provision and land reserve (Measures for Disposal of Unused Land, 2012), which are the ultimate goals of various forms of land acquisition.

#### ***4.1.1 Legal issues, major forms, and institutional processes of land acquisition: general conditions throughout China***

In both the land-related legal conceptualizing process and the practical usage in related industries and sectors in China, there have been confused conceptualizations, interpretations and understandings toward the object to which the Chinese word of “land acquisition” refers. The term and concept of “land acquisition” in this study refers to the process in which state authorities retrieve the land-use rights from various urban state-owned land and expropriate the ownership of rural collective land through the land-reserving system in China. This conception emphasizes a process in which local government reacquires the power in manipulating urban and rural land resources, and in distributing these land resources into various private and public sectors as well.

If interpreted in this way, the term “land acquisition” comprises several different forms and institutional processes in which local government acquiring or regaining urban and rural land from other parties, sectors, and subjects (Please see table 4.1). The first and foremost type of “land acquisition” refers to the institutional process of “rural collective land expropriation (McGee, 2007; Lin, 2007; Hsing, 2010). This specific category is distinct from other types of land acquisition in transferring both land use right and land ownership from one party (rural collective) to another (local

government). The parties involved in these transferring processes include rural residents and the local municipality. So in this thesis, “expropriation” refers to rural land expropriation, rather than any other forms of land acquisition.

As the most prevalent type of land acquisition in China, rural land expropriation can be legitimately initiated by local government, if the government purposes of such initiatives conform to “the realization of public interest and the need of urban development, planning and infrastructure construction” (The Land Management Law, 2004). Since jurisdiction and administration are both subject to party control and are not equally separated from one another in China’s political system, especially in local China, the right of interpretation in defining what are the “public interests” and the “need of urban development, planning and infrastructure construction” in real practices is also controlled by local government and its magistrates’ court (Feng, 2007). The power of local government in initiating rural land expropriation therefore, could become extensive and excessive.

Other forms and institutional processes of land acquisition include land-use rights requisition and land purchase and its priority rights, all of which involve transferring changes in land use rights rather than land ownership. The involved parties include local governments and civil subjects, as well as other state units, SOEs, and public sectors and institutions (Please see table 4.1). The legitimated government purposes for land acquisition varies from one type of institutional process to another.

In China, all the types of institutional process of “land acquisition” belong to not only a government behavior, but also administrative actions in which related local government authorities are the unique party of administrative subjects. This is a prominent common feature shared by different types and categories of land acquisition in China. In contrast, the objects of these land acquisition initiatives, which could also be identified as the administrative counterparts of the administrative actions, may range from state units to market private subjects, from rural collective to



other civil subjects, and from SOEs to public sectors and institutions founded by government. The uneven match of the ‘one-to-many’ relationship has revealed the monopoly position of local government in centralizing land resources for its own purposes.

Land expropriation, land use right requisition, land use right retrieve, land purchase and its priority right have constituted a land centralizing system in which local governments obtain legitimated land resources and land use rights from other sectors and subjects with the aim of initiating land-centered urban development and profit-making. With the legal framework constituted by related laws, legal regulations, administrative regulations, and local regulations (please see table 4.2), the power of local government in initiating these forms and institutional processes of land acquisition has been legally recognized and significantly extended.

**Table 4.1 The main forms and institutional processes of “land acquisition” by local government in China: Legal interpretations.**

	Rural-urban land conversion (land expropriation)	land use right requisition	land use right retrieve	Land purchase and its priority right
Land ownership and land use right change	Transfer in both land use right and land ownership from “rural collective” to “state”	Temporary state control of land use rights	Land use right transfer of allocated urban land (huabo tudi) from other public sectors and SOEs to “state”	Land use right transfer of leased urban land from private sectors and SOEs to “state”
Administrative subject	Related State authorities including local government bodies	Related State authorities including local government bodies	Related State authorities including local government bodies	Related State authorities including local government bodies
Administrative counterpart	Civil subjects centered on rural collective and villagers	Civil subjects, SOEs, and public sectors	Civil subjects, state units, SOEs, and public sectors	Civil subjects and SOEs

Legitimated government purpose for land acquisition	For the realization of public interest and the need of urban development, planning and infrastructure construction	To deal with an emergency or a disaster	For the realization of public interest and the need of urban development, planning and infrastructure construction; A prerequisite for the expropriation of buildings on state-owned land	Government retain preemption rights when land use right is transferred at a price below a market value
Approach and criteria of compensation	According to market standard of compensation	A “proper” restitution that is not based on market standard of compensation	Non-compulsory compensation for land use right retrieve & Compulsory compensation for houses and other buildings on the land	The compensation criteria are negotiated between government and the previous land users

Source: the author

References (see Appendix B):

1. Land management law of the PRC (2004 Revision). Date issued: 08-28-2004
2. Regulation on the expropriation of buildings on state-owned land and compensation (2011 Revision). Date issued: 01-21-2011
3. Interim regulations of the PRC on the assignment and transfer of the use right of the state-owned land in the urban areas. Date issued: 05-19-1990
4. Urban Real Estate Administration Law of the PRC (2007 Revision). Date issued: 08-30-2007.
5. Notice of the ministry of land resources, the ministry of finance and the People’s Bank of China on issuing the measures for land reserve administration. Date issued: 11-19-2007.

#### ***4.1.2 Legal issues and institutional patterns and processes of demolition, compensation, and resettlement: general conditions throughout China***

As mentioned in the previous section, only two parties—normally local governments and previous land users—are involved in various forms and institutional processes of land acquisition in which local governments undertake dual roles of rule maker and implementer of land acquisition initiatives. By comparison, the processes of demolition, resettlement, and compensation may involve a third party in correspondent administrative and civil relationships, underlying relevant legal and institutional settings in particular local contexts. The three parties involved in many

local urban development cases in China normally include local governments, evicted residents, and private developers.

Feng (2007) raised two conventional models of demolition relationship patterns among the three involved parties. One is identified as a “positive” model in a normal state while the other is considered as “negative” one. According to Feng (2007)’s idealist illustration of the positive relationship pattern, processes of compensation and demolition are negotiated only between evicted residents and private developers as two equal parties in front of the civil law while local government stay in a completely neutral position of mediator rather than intervener, a demolisher or a hidden hand that hold specific intentions and interests. How the actual relationship patterns among the three parties however, sometimes significantly deviates from the conventional scenario of the “positive demolition relationship pattern” identified by Feng (2007).

Many negotiating processes of demolition and compensation do not proceed smoothly, failing to produce agreements between private developer and evicted residents in real practice. This ultimately results in not only a long holding period between the two parties, but also large areas of unused land. This is part of the reason why the departmental regulation of “Measures for Disposal of Unused Land” has been issued by PRC’s ministry of land and resources in 2012, with the literal aim of “effectively disposing and making use of urban construction land unused for more than one year” (Measures for Disposal of Unused Land, 2012). Based on the official interpretation of the central government, the major purpose of the issue of the 2012 Measures for Disposal of Unused Land is actually to ensure the urban construction land provided by local governments must be “clear” and “cooked” land which have already gone through all the procedures of demolition, compensation, and residential resettlement before the handover of land use rights from local governments to other land users (The central people’s government of the PRC, 2012). Thus, since 2012, the demolisher of any urban construction initiative should be local governments rather than private developers if the procedure of demolition and compensation is

implemented in a legal way. The legitimate institutional procedure of demolition, resettlement, and compensation therefore, becomes largely dependent on government intervention due to legal and institutional requirements, which is on the opposite of the role of government in the positive demolition relationship pattern raised by Feng (2007).

More importantly, the legitimate institutional processes of demolition, resettlement, and compensation may not proceed without local governments' intentions and interests associated with "running the cities" for revenue generation, which could be regarded as the major driving force of China's economic growth and local urban development practices (Zhou, F., 2012). The behaviors of local governments, their underlying intentions, and government interest considerations are vitally important in influencing and interpreting the existing scenarios and practices of urban development in China. This is another reason why Feng's (2007) positive demolition relationship pattern goes too far from many of the local conditions and contexts in China.

By comparison, the institutional patterns and processes of demolition, compensation, and resettlement, are more closely relatable to the relationship pattern among the three involved parties in the "negative model" raised by Feng (2007). The current legislative and institutional setting has given the green light to state-private joint venture for urban development initiatives, especially in demolition, compensation, and residential resettlement, all of which are considered as the costs and consequences of land-centered urban development. Local governments could significantly ease the financial burden of public expenditure in this aspect by means of the funds and technical supports from various private sectors. The possibility of a win-win situation for both local governments and private sectors has joined them in an interest coalition in many cases.

Neither conforms to the positive model nor the negative model proposed by Feng (2007). The contextually-based local institutional patterns determine which party is

responsible for directly intervening in the implementation of demolition, resettlement, and compensation, and which party is more like a hidden hand behind the behavior of another one, is normally based on the nature and distribution mechanism of their common interests and could vary from place to place. This also means that China's local practices in demolition, compensation, and resettlement could diverge from the legitimate institutional procedure regulated by the 2012 Measures for Disposal of Unused Land.

**Table 4.2 China's relevant legal framework in land acquisition, demolition, resettlement/resettlement, and compensation: different levels of authority**

Level of authority	Scope of legitimacy	Issuing authority	Name of act and the year issued
Laws	Nationwide	The National People's Congress or the Standing Committee of it	Land management law of the PRC (2004 Revision); Urban Real Estate Administration Law of the PRC (2007 Revision); Property Law of the PRC (Issued in 2007)
Administrative regulations & Departmental regulatory documents	Nationwide	State council and related ministries	Interim regulations of the PRC on the assignment and transfer of the use right of the state-owned land in the urban areas (Issued in 1995); Regulation on the Dismantlement of Urban Houses (Issued in 2001); Notice of the ministry of land resources, the ministry of finance and the People's Bank of China on issuing the measures for land reserve administration. (Issued in 2007); Regulation on the Expropriation of Buildings on State-owned Land and Compensation (Issued in 2011) Measures for Disposal of Unused Land (Issued in 2012)
Provincial Local Regulations (same level of authority as departmental regulatory documents )	Only in the specific province	The Provincial People's Congress or the Standing Committee of it	Procedures of province X on the implementation of the Dismantlement of Urban Houses (Issued in 2002); Regulations of province X on the land use right of allocated land (huabo tudi) in the urban areas (Issued in 2002); Procedures of province X on the implementation of the Land management law of the PRC (Issued in 2012)

Municipal local regulations	Only in he specific municipal city	The Municipal Government	Regulations of city G on housing demolition, compensation, and residential resettlement on collective land (Issued 2010); Interim Regulation of City G on the Expropriation of Buildings on State-owned Land and Compensation (Issued in 2011); Measures for construction and administration of the rural residential houses and the resettlement houses in City G's urban planning areas (Issued in 2012)
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Source: the author

#### References:

1. Zhang genda, 1999. 《fa lv xiao li lun》 Law press. Beijing
2. Zhang wenxian, 1997. 《fa li xue》 Law press. Beijing
3. Ge hongyi, 1999. 《fa li xue》 Press of China university of political science and law. Beijing

In summary, common features shared by these relevant legal provisions include three aspects. The first one connects to the non-specific legal interpretations toward the government purposes and other causes which can be recognized as legitimate reasons for land acquisition and building demolition. Nevertheless, little judicial interpretations of legal provisions have been raised in specifying the situations and scenarios in which initiatives of land acquisition and demolition are illegal, which makes land acquisition and demolition largely subject to the resolution by means of administrative channels rather than judicial approaches. Likewise, there have also been abstract legal interpretations toward the general approaches of compensation and residential resettlement for land acquisition and demolition. Monetary compensation and in-kind compensation have been proposed as the two nationwide approaches of compensation and residential resettlement; however, the legitimate authority and power that regulates the specific compensation standards and practical operational procedures of residential resettlement are controlled by local governments at provincial and municipal levels. These legal and institutional settings have inevitably led to a magnification of the power of local state intervention in real practices.

The second common feature shared by relevant legal provisions in Table 4.2 is the lack of a legal supervisory system upon the administrative actions of land acquisition as well as the lack of clear boundaries between a rule maker and implementer in land

acquisition and demolition initiatives. As Feng (2007) pointed out, in many cities, Chinese local governments often undertake both of the roles in order to reduce the correspondent social costs of urban development. A third common feature of those legal provisions involves the lack of legal provisions and legitimate public power in supporting the civil remedy actions against illegal land acquisition and demolition initiatives and in specifying the fundamental scope of lawful rights and compensation standard and how these can be safeguarded in practices. These legal and institutional features have led to an indulgence towards the behaviors of local government in manipulating the engine of land-centered urban development, and in easing the costs and consequences of this development approach. This is an important underlying factor in the increasing numbers of cases that have manifested a deviation from the practical operations of demolition, compensation, and residential resettlement from the legal framework.

## **4.2 Practical operation models and existing patterns of residential resettlement and opportunities for state-private joint venture**

### ***4.2.1 Rationale of residential resettlement***

Based on the detailed review and analysis of relevant legal provisions and institutional frameworks in the areas of urban development, demolition, and residential resettlement, it is a legal and institutional responsibility for the demolisher to compensate affected residents for their property losses resulted from land acquisition and consequent property demotion. The compensation approach includes monetary-oriented compensation and in-kind compensation (property right exchange). This study focuses on in-kind compensation since the approach of monetary compensation entails a relevant single way of reimbursement whereas the approach of in-kind compensation often include various models and patterns of residential resettlement varied by different local conditions.

With rapid urban expansion and urban spatial transformation, the mass emergence of residential resettlement projects as the main approach of in-kind compensation have resulted from various urban development projects and affairs taken by different responsible parties (McGee, 2007). Resettlement of evicted rural residents is often caused by rural collective land expropriation and demolition while resettlement of evicted urban residents is usually resulted from inner-city redevelopment and urban renewal (Hsing, 2010). The resettlement sites for both rural and urban residents are often mixed and located together in many cases when urban expansion pushes urban development projects into peri-urban areas or rural-urban fringes. If the direct cause of a residential resettlement project mainly rests on the construction and redevelopment of urban public infrastructures and facilities which demonstrate the features of “public good” (Coase, 1974; Lawrence et al., 2010), then the major party in charge of funding and constructing resettlement houses could be either local governments or local public institutions like schools and hospitals. If residential resettlement is led by commercial property development, relevant private interest groups become the party initially responsible for compensation and funding the issues of residential resettlement.

#### ***4.2.2 Different models and patterns of residential resettlement and opportunities for state-private joint venture***

According to relevant literature (Zhang, 2012; Xu, 2012; Huang, 2012), legal provisions, and documentary analysis, general construction modes of residential resettlement housing in China include unified planning and construction (tonggui tongjian), unified planning and collaborative construction (tonggui lianjian), and unified planning and self-construction by residents (tonggui zijian). The major similarity among these three modes of residential resettlement rests on resettlement planning. With the administrative and institutional routine of a unified urban planning system, the geographic location of residential resettlement is based on the urban



planning layout determined by local planning bureaus. The major difference among the three modes of residential resettlement is mainly based on the funding and constructing approaches of resettlement housing.

***(1) Unified planning and construction (tonggui tongjian)***

In the first mode, the major investor of residential resettlement is local government, if residential resettlement houses were built because of the redevelopment of urban public infrastructure. The adoption of this specific pattern of residential resettlement often requires professional manpower and relatively large amounts of special funds provided by correspondent investors (Zhang, 2012; Huang, 2012). This can become a financial burden for local governments if they are responsible for these centrally-constructed resettlement projects led by the redevelopment initiatives of public facilities and urban infrastructure. The emphasis in “unified construction” indicates that the main body responsible for resettlement housing construction through this mode may not include multiple sectors in collaborative modes. Instances presented in the previous section of literature review include Zhangzhou city and the Longwen district of Huanan city, both of which adopted the resettlement pattern in which local municipalities take full responsibility of both fund-raising and resettlement housing constructions (Yang, 2008; Huang, 2012). Another prominent feature of this resettlement mode is that the geographic sites of the residential resettlement projects operated through this pattern are always not far from the urban core areas. According to relevant documentations on China’s institutional framework of urban planning (City G’s municipal government, 2010; 2011; 2012), the distance of rural and urban construction sites to urban core and inner-city areas determines the extent of restriction by urban general planning and regulatory detailed planning. Accordingly, resettlement sites of this mode of residential resettlement have been largely regulated by the local administrative system of urban planning.

***(2) Unified planning and collaborative construction (tonggui lianjian)***

Compared to the resettlement mode of unified planning and construction, residential

resettlement practices through the mode of unified planning and collaborative construction (tonggui lianjian) are much more common in China's urban and peri-urban landscapes. The resettlement mode of unified planning and collaborative construction is centered on the joint venture between local governments on one side and various private sectors on the other side. Opportunities for state-private joint ventures arise when there are specific needs and interests for both sides of parties. Through joint capital investments and collaborative construction, local governments are able to largely save financial cost in funding the residential resettlement as the major way of in-kind compensation which they should afford. Private sectors are able to realize their purposes of profit-making or cost saving in land use right purchase for real estate development. These are their respective motives and aims in forming the state-private collaborative mode of residential resettlement.

State-private joint venture in terms of residential resettlement may take various specific patterns and forms, which are dependent on the way local governments and private sectors cooperate to satisfy the needs and interests of each other. The specific form of state-private joint venture in residential resettlement will now be discussed by discriminating two geographic paradigms: in-situ resettlement and off-site resettlement. If the activities of land acquisition and demolition caused by government-led urban development initiatives are implemented on rural collective land, the pattern of in-situ resettlement can be only applied to the circumstances in which there remains sufficient rural collective land that belongs to the targeted group of evicted rural residents. Under these circumstances, the remaining rural collective land is often used as the geographic sites for in-situ resettlement of the evicted residents.

If however, the demolition activities caused by government-led urban development initiatives take place in urban construction land, the resettlement pattern of in-situ resettlement often applies to the circumstances in which the land use rights of the urban lands used for residential resettlement originally belong to the private sectors

involved in the state-private collaborative resettlement initiatives. The adoption of these patterns entails a beforehand agreement on the purchase price of the resettlement housing ownership between local governments and private sectors that are actually selling their own properties of resettlement housing to local governments for profit-making purposes (Yang, 2012). The private sectors engaged in this mode also need to be capable of organizing on-site building demolition, compensation, and other issues raised from land processing prepared for the construction of resettlement housing (Huang, 2012). There can be problematic issues if the private developers fail to accomplish these preparation works including demolition, compensation, and land processing for making room for the construction of resettlement housing.

Nevertheless, the use of the resettlement pattern of in-situ resettlement could become restrictive when land use rights of the resettlement sites belong to local government and other public institutions rather than the private sectors engaged in state-private joint venture of residential resettlement. The pattern of off-site residential resettlement is actually a mainstream of residential resettlement practices led by urban development initiatives taken place in urban construction land. Unlike the in-situ residential resettlement, a prominent distinction in this resettlement pattern is that the land used for residential resettlement is assigned by local governments through land acquisition and expropriation. Through off-site resettlement, the entire group of evicted rural and urban residents moves from their original residential areas to the resettlement sites appointed by local governments. Relevant issues raised from demolition, compensation, and residential resettlement are negotiated between the evicted residents and local governments in charge while private sectors only play the role of construction agency commissioned by local governments. Property ownership of residential resettlement housing and relevant facilities will be transferred to local governments after private sectors complete the construction tasks of resettlement housing.

In return, local governments may adopt various specific ways to reimburse for private

sectors' financial and operative contributions to the construction of residential resettlement houses. These specific methods of reimbursement can be summarized into two general categories: monetary payments and land-related privilege. Monetary payments including payment by installments and one-time payment are often used in the cases where there are special funds prepared for residential resettlement and mature operation modes of state-private joint venture featured by standardized agent construction system. Examples include the residential resettlement practices in Xiamen and Hangzhou (Huang, 2012; Xu, 2012).

In contrast, providing land-related privilege to relevant private sectors involved in the cooperation becomes a much more prevalent approach employed by the local governments in medium and small cities where there are insufficient financial resources to raise the special funds for residential resettlement (Luo, 2014). The approach of land-related privilege is centered on price discount in land use right transaction, which could become very attractive investment incentives for private sectors if their primary business involves commercial real estate development which necessitates legitimate acquisition of urban land use rights. As a key method in state-private collaborative pattern of residential resettlement, land-leasing price reduction could be regarded as a win-win strategy of cost saving incentives for both parties to participate in state-private joint venture through exchanging their respective resources to each other. For Chinese local governments monopolizing the allocation of urban land use rights, the top priority is how to use this privilege to save government expenditure and to increase government revenue. Spending less special funds on residential resettlement enables local governments to have more sufficient funds in running the cities as well as in manipulating the land-centered financialization circle through land mortgage and land financing (Zhou, F., 2012). For private sectors, urban land use rights are the scarce resources they compete for in the primary land market (Lin, 2009). Accordingly, requiring urban land use right at a price below the market value may bring them a significant comparative advantage in market competition. To what extent land transaction price afforded by private

developers can be remitted depends on particular cases of state-private collaborative residential resettlement adopted in different local contexts. From the perspective of urban landscape transformation, adopting a state-private collaborative pattern of residential resettlement through the method land-related privilege as a key bond of the joint venture could result in hand-in-hand implementations of residential resettlement and real estate development in close urban areas or even nearby each other if this resettlement pattern is adopted in small and medium cities with restrictive urban scale (Luo, 2014).

The previous three paragraphs discussed the specific forms and methods in off-site residential resettlement practices led by urban development initiatives taken place in urban construction land. If the activities of land acquisition and demolition caused by government-led urban development initiatives are implemented on rural collective land, the pattern of off-site residential resettlement can be only applicable to the scenarios in which the village area has no more rural collective land available for relocating the targeted group of evicted rural residents. Under these circumstances, evicted rural residents are often relocated in another assigned area of rural collective land. Based on the previous analyses, both in-situ and off-site residential resettlement share a common practice that tries to relocate the evicted residents on the land with the same nature as before. This does not however, mean there are no exceptions in which evicted rural residents have been relocated on urban state-owned land that contains a much higher commercial value than their original place of residence.

### ***(3) Unified planning and self-construction by residents (tonggui zijian)***

In most cases, the construction mode of “unified planning and self-construction by residents (tonggui zijian)” has been applied in the residential resettlement practices in relocating the evicted rural residents originally lived on rural collective land. Through this mode, evicted rural residents are given the flexibility to use compensation funds to build resettlement houses by their own efforts. Local governments only need to pay

compensation funds and may save manpower resources, techniques, and special funds in constructing resettlement housing for these people. A prominent flaw of this mode is that the resettlement houses constructed by local residents are frequently of poor quality; lacking professional input and orderliness.

Sometimes it becomes very difficult to identify a clear boundary between this mode and the resettlement model of unified planning and collaborative construction if there are village cadres and elites who strive for being the corporations of their self-organized construction groups like a construction agent. If the construction mode of “unified planning and self-construction by residents (tonggui zijian)” is manipulated by village cadres and elites out of the evicted residents, the construction profit sharing mechanism in many cases can become full of underhanded deals and activities which are sophisticated and sensitive for outsiders. In summary, table 4.3 reveals existing models, patterns, and forms of residential resettlement in local China.

**Table 4.3 A summary of various models, patterns, and methods of residential resettlement for evicted urban and rural residents**

<b>Demolition site resettlement patterns &amp; modes</b>	Land acquisition and demolition activities taken places on urban state-owned land	Land acquisition and demolition activities taken places on rural collective land
Different construction modes of residential resettlement housing		
Unified planning and construction (tonggui tongjian)	<p>High requirements for local governments’ financial and manpower resources if they are in charge of both fund-raising and resettlement housing constructions.</p> <p>The geographic sites used to relocating evicted rural residents are always not far from the urban core areas if the activities of land acquisition and demolition take places on rural collective land.</p>	
Unified planning and collaborative construction (tonggui lianjian)	<p>A key residential resettlement mode occupies most real practices in both in-situ resettlement and off-site resettlement.</p> <p>A key residential resettlement mode centered on various forms and methods of state-private joint venture in which private sectors not only invest in residential resettlement, but also play the role of construction agency commissioned by local governments.</p> <p>Local governments reimburse private sectors through the methods of monetary payment or provision of land-related privilege.</p>	

Unified planning and self-construction by residents (tonggui zijian)	Very few cases in which private developers are the owners of resettlement housing property and evicted urban residents are capable of investing resettlement housing construction.	A construction mode mostly used to relocating the evicted rural residents originally lived on rural collective land. People are given the flexibility to use compensation funds to build resettlement houses by their own efforts.
Different resettlement patterns varied by geographic sites of residential resettlement		
<b>In-situ residential resettlement</b>	Often applies to the circumstances in which the land use rights of the urban lands used for residential resettlement originally belong to the private sectors involved in the state-private collaborative resettlement initiatives.	Only applies to the scenarios in which there remain sufficient rural collective land which belong to the targeted group of evicted rural residents. The remaining rural collective land are often used as the geographic sites for in-situ resettlement of the evicted residents.
<b>Off-site residential resettlement</b>	The evicted rural and urban move from their original residential areas to the resettlement sites appointed by local governments. A mainstream of residential resettlement practices caused by demolition and land acquisition activities taken place in urban construction land.	Only applicable to the scenarios in which the village area has no more rural collective land available for residential relocating.  The evicted rural residents are often relocated in another assigned area of rural collective land.

Source: the author

### 4.3 Different components in practical model of land-centered financialization in local China

As noted in the literature review, the concept of “land-centered financialization” in this study actually involves all the dimensions, approaches and processes in which local governments generate revenue income through disposing, allocating, and manipulating rural and urban land resources. Based on the literature review and documentary findings of previous research in many different cases of China’s local urban development, the process of land-centered financialization is normally

constituted by four different components, each of which contains a relatively stable institutional process. The logic connections among these components however, can differ from city to city. Moreover, specific institutional settings in different components of land-centered financialization often vary among different local contexts and cases.

#### **4.3.1 Component 1: The land purchase & reserve system for land acquisition, land reservation, and land leasing**

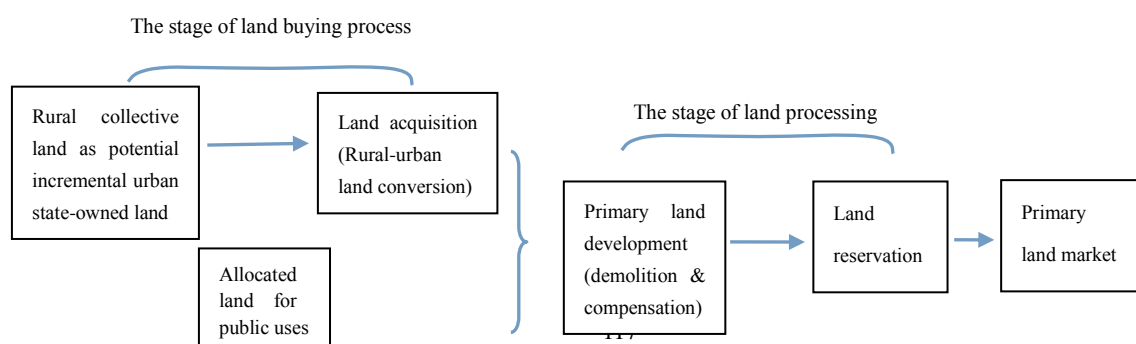
The first component of land-centered financialization refers to the asset appreciation process in which rural and urban land are converted into urban state-owned land designated for business-related construction. This system, which is currently operating through the existing land purchase & reserve system as a specific institutional setting, was learned from Hong Kong. From the perspective of local governments, the land purchase & reserve system is actually a land-based business running process centered on generation of land leasing fees, which is implemented for state assets appreciation of local land resources (Zhou, F., 2007; 2010; 2012). In order to achieve this purpose, the whole process of land purchase & reserve system needs to go through three stages. At first, land reserve centers (LRC) on behalf of local governments take various forms of land acquisition (For specific forms and processes of land acquisition, please see section 1.1 in this Chapter) to acquire urban and rural land at the expense of relocating and compensating the evicted groups of urban and rural residents. The common land types under governments' acquisition list normally include existing urban state-owned land used for SOEs, public agencies and institutions, inner city redevelopment, unused urban state-owned land, and rural collective land in suburbs and inner peri-urban areas. Various forms and patterns of land acquisition signify the land buying process in the land purchase & reserve system.

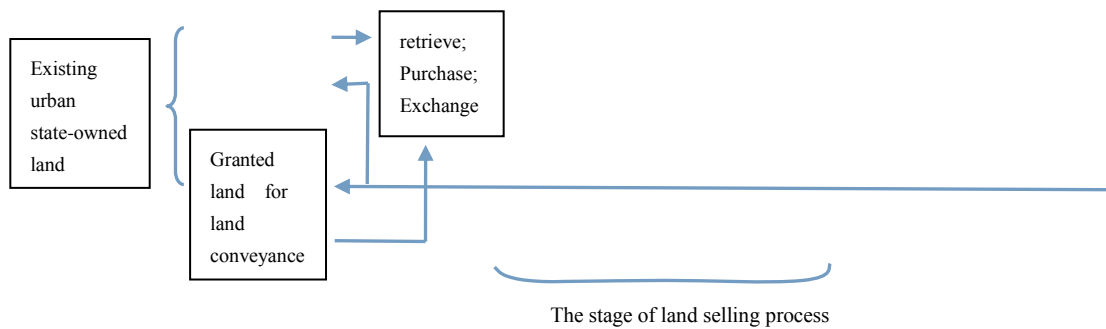
The raw land acquired by local governments is subsequently put into land reservation



schemes organized by land reserve center of the local bureau of land and resources for the purposes of primary land development, demolition, and other preparation works before entering into the next stage of primary land market operation. For rural collective land expropriated by government, local LRC has to apply for rural-urban land conversion through submitting stipulated land fees to land authorities at provincial or national level. These have constituted the stage of land-processing in the land purchase & reserve system. The ‘cooked’ land is then delivered into the primary land market in which land leasing activities, or transferring of land use rights, are implemented through the legitimate approaches of bidding, listing, auction, and allocation. Land use rights are often transacted at an allocation price which is relatively low if the buyer is a state unit or public institution. If the buyer is a commercial land user, land use rights can also be transacted at a conveyance price which is much higher than allocation price. According to Lin (2007: 79), regardless of the process, the transaction price of land use rights transferred from land reserve center to land users includes three main components: expropriation cost of rural collective land, stipulated land fees, and land leasing fees, which could be either allocation fees in case of transactions at an allocation price, or conveyance fees in case of transactions at a conveyance price. Among these three components, land-leasing fees are the main income source of local government’s off-budget revenue. The above procedures constitute the land selling process in the land purchase & reserve system. The whole process of the practical operation mechanism of the land purchase & reserve system can be demonstrated as follows.

**Chart 4.1 Practical operation mechanism of the land purchase & reserve system in local China**





Source: Zhang (2005). P. 58, Figure 1.

Land leasing fees (including conveyance fee and allocation fee) and various stipulated land fees generated through the land purchase & reserve system constitute the main part of local governments' off-budgetary revenue which is even more important than budgetary revenue, for Chinese local governments' financial operation in many cases according to related researches (Zhou, F., 2007; 2012). This has also revealed the extent of how local governments' financial statuses rely on land business. Among different categories of land-related income generated through this component, land-leasing fees (land sales income) constituted by both land conveyance fee and land allocation fees occupies a major proportion. The rest is centered on various categories of stipulated land fees (*tudi guifei*), charged by local bureau of land and resources, local financial bureau, and other relevant local bureaus (Lin, 2007). All of the land-related income generated through primary land market comes from various land users including both public sectors and private sectors.

### **The role of local land reserve center (LRC) in land acquisition, land reservation, and land leasing**

Based on the discussion above, in this particular component of land-centered financialization, the land reserve center is the only institution in charge of manipulating all three distinct stages of the land purchase & reserve system on behalf of local governments. The following section will elaborate the role of land reserve center in local China's land-centered financialization framework based on literature and documentary review.

The earliest local land reserve center in China emerged in Shanghai in 1996 when China started to embark on its land purchase & reserve system (Yu & Xie, 2011). It thus became the specialized institution in charge of running local land purchase & reserve system. The land purchase & reserve system has developed rapidly since 2001. Six years later, in 2007, a nationwide legal document, The Measures for Land Reserve Administration, was issued by the Ministry of Land and Resources, the Ministry of Finance and the People's Bank of China in order to conceptualize and define the land purchase & reserve system in China as well as the role of local land reserve center.

According to this legal document, the essential nature of local land reserve center is a government-funded institution, rather than a government branch body, attached to the administration of local land and resources bureau at the municipal level. The land reserve center at the local municipal level has been equipped with independent legal identity and it is the legitimate agency authorized by the legal regulatory document to take up the administrative duties of the local land purchase & reserve system in local China, including land acquisition, land reservation, primary land development, and primary land market operation.

Based on the literature (Liu & Jiang, 2005; Chen & Yang, 2013), the original purposes of setting up the particular institution of land reserve & purchase system and land reserve center was centered on three aspects: ensuring local government' monopoly power in purchasing and leasing urban and rural land in a centralized approach; efficiently using the existing urban state-owned land through taking back the land use rights occupied by state-owned enterprises and of the unused urban land; and enhancing local governments' capacity of control in adjusting local primary and secondary land market and local real estate market. The role of land reserve center has not been largely commercialized at the earlier development stage of land purchase & reserve system.

Nevertheless, when this centralized approach of local land purchase & reserve system met with an increasing trend of marketization and commercialization, local governments came to realize the profit-earning capacity of the land reserve center in three different dimensions. First, rural collective land with low commercial value can be transformed into urban state-owned land, which becomes much more commercially-valuable; second, various types of urban and rural land reserved by the land reserve center can be leased to the private land users in primary land market via public bidding, listing, or auction rather than being allocated to those public land users at a allocation price which is relatively low; and finally, land kept by the local land reserve center can be used for applying large amount of bank loans through land mortgage (Liu & Jiang, 2005; Lin, 2007). Accordingly, the focus of the operation mode of local land reserve center evolved from reinvigorating the existing urban state-owned land into seeking for incremental urban state-owned land through expropriating and storing rural collective land for rural-urban land conversion and state asset appreciation. Another change in its operation mode involves increasing the proportion of land leasing practices through conveyance (*tudi churang*) while reducing the proportion of land-leasing through allocation (*tudi huabo*). More importantly, local land reserve centers turn to focus on either applying for bank loans through land mortgage by themselves, or delivering urban construction land of high-quality into investment companies, enabling them to acquire land mortgages & loans, which become a common local practice termed “the financial version of fueling urban development with land” (Zhou, F., 2012). Even conservative scholars (Chen & Yang, 2013) insist that the current role played by local land reserve center remains centered on controlling local land and real estate prices as well as “diminishing private behaviors of real estate speculation”. Liu & Jiang (2005) pointed out that the role of land reserve center has been already transformed into a tool controlled by local governments in seeking profit maximization based on land-related income. Furthermore, there are few supervision mechanisms for regulating the behavior of land reserve center as a powerful institutional player in China’s local landscape of urban development and land-centered financialization.

#### ***4.3.2 Component 2: Saving local governments' expenditure in compensating & relocating evicted rural and urban residents through state-private joint ventures***

As mentioned in the literature review, from the perspective of local governments, a significant concern raised by the mass emergence of publicly and privately funded urban development initiatives connects to the financial accountability they should afford in land acquisition, demolition, compensation, and residential resettlement. Saving local governments' spending in these areas can be regarded as an important link in local governments' business plans of land-centered financialization since it is about expenditure minimization rather than revenue generation.

According to the Regulation on the Expropriation of Buildings on State-owned Land and Compensation, if activities of property demolition and expropriation take place in urban state-owned land, specific items of government expenditure in this area include the compensation for the value of the houses to be expropriated, the compensation for resettlement and temporary resettlement arising from the house expropriation, and the compensation for losses arising from production and business suspension caused by the house expropriation. Apart from these items of government expenditure, it remains possible for local governments to pay for extra land recovery fees to specific land users if they need to purchase land use rights of different types of urban state-owned land from the land users. This study uses the term "land retrieval cost" to categorize all these government expenditures that could be raised when activities of property demolition and expropriation take place in urban state-owned land.

According to the Land Management Law and its implementing regulation, if activities of land acquisition and demolition take place in rural collective land, specific items of government expenditure in this area should include the compensation for the expropriated rural collective land, the compensation for the buildings and plants attached to the expropriated rural collective land, and the special funds used for compensating and relocating the evicted residents. All these dimensions constitute the

expropriation cost of rural collective land.

Based on the above analyses, local governments' expenditure in land acquisition, demolition, compensation, and residential resettlement can be calculated within two major scenarios: if activities of property demolition and expropriation take place in urban state-owned land, all the relevant funds used for land development, compensation and residential resettlement are categorized into "land retrieval costs"; if activities of land acquisition and demolition take place in rural collective land, all the relevant funds used for compensation and residential resettlement are categorized into "land expropriation costs". Compared with land retrieval costs, land expropriation cost contains much more direct involvement with the actual transaction prices of land-leasing activities in the primary land market. In normal procedure, expropriation costs of rural collective land is counted into the land-leasing price (including both conveyance and allocation price) fixed by the land reserve center. Therefore, local governments are capable of minimizing and diminishing possible government expenditure in land expropriation costs by means of land leasing, which can be regarded as an important step in guaranteeing their profits through land-centered financialization. Local governments also need to be aware of possible opportunities of increase in land expropriation costs, which normally result from stalled negotiations over compensation and residential resettlement.

In order to save government expenditure in expropriation costs of rural collective land, local governments in different places have tried different models, patterns, and methods for compensating and relocating evicted rural and urban residents. Their specific approaches have already been discussed previously with an emphasis on raising the importance of state-private joint venture to reduce relevant local governments' spending and the rational underlying those state-private collaborating initiatives and their benefit-sharing mechanisms. From the perspective of local governments, the basic operation logic in saving their spending through state-private joint venture can be summarized as exchanging profit-earning opportunities or

land-related privileges centered on undervalued urban state-owned land for private funding and professional techniques if necessary.

#### ***4.3.3 Component 3: Land-related taxes and fees contributed by local real estate industry***

According to Zhou's (2007; 2012) conception of "land related-income", apart from land leasing fees generated in the Component 1, which account for a major part of local governments' off-budget revenue, local governments could also benefit from a significant increase in budgetary revenue, which is centered on different categories of land related taxes generated from land use rights transfer and urban construction and real estate industry. Compared to off-budget revenue sources, local governments' budgetary revenue sources are much more transparent since they are normally subject to systematic monitoring mechanism run by superior tax bureau and finance bureau, respectively.

Tax-income is an ordinary income source of local public finance, but ever since the implementation and adjustment of tax-sharing system and the correspondent transformation of development mode from local-industrialization to land-centered urbanization, land-related taxes have become a vital tax income source to local governments' budgetary revenue. According to the tax-sharing system, most of these land-related items contribute to local tax revenue rather than central tax revenue system. In a broad sense, land-related taxes include a wide variety of tax items. The main categories among them have been selected as follows:

- Urban land use tax (ULUT). This tax item is calculated based on the actual area of urban state-owned land occupied by the taxpayers. It could reflect the quantity of urban land and the scale of rural-urban land conversion but could not reflect the commercial value changes of urban and rural land. The national unified standard of the tax base of ULUT can be founded in the website of the central government of the

PRC.

- Land value increment tax (LVIT). Taxpayers are mainly centered on real estate developers and real estate speculators rather than normal individual buyers of commercial residential housing properties. This tax item could reflect the commercial value changes of urban state-owned land, as well as the temperature and prosperity of land market and land-centered urban development. The object of this tax item covers the activities of second land market transferring of urban state-owned land and the consequential transferring of the properties, buildings, and structures on the transferred land.
- Farmland (arable land) occupation tax (FOT): calculated based on the actual area of farmland occupied by the taxpayers.
- Deed tax (DT): has one of the largest proportions among various land-related taxes. This specific tax item is collected by local governments when there are ownership transfers of housing and real estate property and when there are land use rights transfers of urban state-owned land. It could reflect the commercial value changes of urban land.

There are also several tax items that could indirectly contribute to land-based government revenue. Generations of these taxes are directly dependent on the industries of urban construction and real estate development; however, since the development of these industries is ultimately determined by the prosperity of land use right transactions in specific contextual-based local land market, these specific industries-related tax items are also regarded the land-related tax income sources.

- Business tax relevant to land use rights transfer ((BTL)). This tax item charges 5 % of the land seller's profit when a land user transfers the land use right to another land user in secondary land market. The land seller's profit equals the selling price minus the previous purchase price of the land seller in real practices. Data of this tax item is very difficult to be analyzed due to the complexity, varieties, and diversities of land transferring in secondary land market.



- Business tax and enterprise income tax relevant to the industries of construction and real estate development. Another major tax item among various land-related taxes, which may directly reflect the degree of prosperity and development status of the two industries most relevant to land-centered urban development- construction and real estate development. This occupies a significant proportion in local governments' budgetary revenue based on Zhou F (2012)'s research findings.
- Building property tax (BPT). This tax item aims to charge the property owners of any industrial and commercial buildings with profit-making nature in urban and county area. Buildings in rural village area do not need to be counted in for the generation of this tax item.
- Urban real estate tax (URET). A general term includes all relevant tax sources contributed by real estate industry

To summarize, local governments' land-related budgetary income mainly relies on land value increment tax, deed tax, construction industry-related tax, and real estate industry-related tax. The major institutional players in charge of collecting these various land-related taxes are local tax bureau and local finance bureau. Among the main categories of land-related tax items above, only FOT and deed tax are collected by local finance bureau with the rest of them belong to Scope of taxation of local tax bureau.

Apart from land leasing fees and land-related taxes, for local governments, there is another land-related income source, which is termed "stipulated land fees". This land-related source cannot be neglected because in many circumstance, the total amount of money raised by various specific land-related fees can even outweigh the amount of revenue raised by land-related taxes (Zhou, F., 2007; 2012). However, it has always been difficult for researchers to calculate the actual amount of stipulated land fees collected by local governments, as all of them belong to off-budgetary revenue which remains non-transparent in current policy climate, and which may not be monitored and exposed in normal conditions. Detailed items of various stipulated

land fees can be very diverse and complicated in real practices. Based on specific institutional players in charge of fee collection, various stipulated land fees can be classified into the following categories:

- Stipulated land fees collected by local land and resources bureau. This is the major part among various items land-related fees. It includes three types of land administrative fees, four special charges, and one item of newly-added urban land use fee.
- Stipulated land fees collected by local finance bureau: varied by different local government regulations.
- Stipulated land fees collected by other local government bodies: varied by different local government regulations.

#### ***4.3.4 Component 4: Land financing by means of land mortgage and state-guaranteed loans***

The literature review discussed the multifaceted financial motivations underlying the behavior of local governments in “running cities” through urban redevelopment and urban expansion and pointed out that the profit-making possibility in “land financing” could be very attractive to local governments. From the perspective of local government behavior, the importance of land financing reveals in its capacity of financial accumulation through providing a snowball-type growth pattern of local governments’ land-related income. This explains why “land financing” has become a main direction of fund flow of various land-related income collected by local governments (Zhou, F., 2007). Apart from its significance with respect to financial accumulation of state funds and state-owned assets, “land financing” is also the main source of funds used for urban development and urban expansion in many different local contexts, based on previous research findings (Zhou, F., 2007; 2012). In order to see how the mechanism of “land financing” operates in an effective way as well as why local governments and local urban development rely so much on this mechanism, it is necessary to analyze the specific roles of the major institutional players involved in “land financing”.

### ***(1) The role of various types of local state-funded investment companies in land financing***

As mentioned in Chapter 2, it has been a common practice for local governments to run “land financing” by means of their self-funded investment companies which become a key group of institutional players in manipulating “land financing” on behalf of local governments. Even though these state-funded investment companies consist of many different types and categories in terms of their names (for example, “limited company of city construction investment”, “limited company of city investment and development”, “limited company city transportation investment”, “Group of city water service” etc.), they are of same essential nature—local state-dominated registered capital and ownership structure of the companies (Zhou, F., 2007; 2010). In common situations, only local governments are entitled to decide who takes charge of these companies and to appoint the top leaders’ occupations, which are often taken by some higher-level local officials who hold two posts concurrently.

More importantly, these companies normally take dual roles. This section focuses on the financial function as an intermediary agent to run “land financing” for local government. Its primary function in initiating and investing in the constructions of urban infrastructure and facilities however, should not be neglected since these two functions are actually inter-connected with each other.

Applying large amount of guaranteed loan and mortgage is the common operation mode for these state-funded investment companies to run “land financing”. There are three practical approaches for these companies to acquire bank loans. The first is using their existing registered capital as guarantee to apply secured loans independently or adopting the mutually guaranteed approach through the collaborative efforts of several state-funded investment companies. Within this approach, the specific amount of guaranteed loan that can be acquired by local governments is determined by the amount of corporate registered capital that actually comes from local governments’ grants. To explore further, Zhou (2012) revealed a

major proportion of government grants injected into these companies comes from land leasing fees generated in “Component 1” through local land purchase & reserve system. This could conclude the original source of guaranteed loans and explain why this approach can be termed as a dimension of “land-centered financialization” Comparatively, the second approach is much more simple, direct, and bureaucratic. In some circumstances, municipal bureaus of finance could even become the guarantor of the secured loans applied by various state-funded investment companies. This approach can never be easily rejected by local banks because of the reputation of a government guarantor in China.

The last approach for these companies to acquire bank loans is through land mortgage. Since a primary function of various local state-funded investment companies has been centered on various urban development projects, especially the construction of public infrastructure and facilities, it is natural for local governments to transfer the land use rights of the urban-state owned land under these companies’ targeted projects into these companies in different ways. Even though these companies are not entitled to further lease this land to commercial users for profit-earning, they can use it as mortgage equity to apply for bank loans. As mentioned in Chapter 2, it is common for local governments to transfer highly valued urban land into these companies to ensure they may acquire mortgage loans big enough (Zhou, F., 2007).

## ***(2) The role of land reserve center in land financing***

If the state-funded investment companies turn to acquire mortgage loans through the approach of land mortgage, they become subject to the local governments and their specific branches that provide land to them. As mentioned in Component 1, the unique institutional player in charge of local land purchase & reserve system is the local land reserve center which serves as a land controller for local governments. As such, the land reserve center is also the director land provider for various state-funded investment companies in normal circumstances.

The local land reserve center may transfer two general types of urban state-owned land: state-granted land designated for business-related construction and state-allocated land for public uses, to these companies, both of which can be used as collateral for acquiring land mortgage loans. The value of the former type however, significantly outweighs the value of the latter. As a result, these state-funded investment companies hope the local land reserve center to provide them with more urban state-owned land designated for business-related construction, since they may acquire larger amount of loans from bank through using these land as collateral.

There is little literature that explains the specific way in which the local land reserve center transfers urban land use rights to local state-funded investment companies. In some cases, local land reserve centers are able to directly acquire bank loans through being the mortgagor of land mortgage loans instead of various state-funded city-investment companies. Zhou's (2012) research finding based on several case studies revealed that the amount of land mortgage loans acquired by the land reserve center is much larger than those acquired by various state-funded city-investment companies. It remains a question whether or not these are common occurrences across different regions and local contexts.

Regardless of whether or not the land reserve center and state-funded investment company is the major mortgagor of land mortgage loans in specific local context, generating more and more state-granted urban construction land for commercial residential uses becomes an urgent business since state-allocated urban land for public uses is of low efficiency in acquiring land mortgage loans. The specific quantity and respective proportion of both state-granted and state-allocated urban land could be largely determined by local land reserve center (Archive documents review). As revealed in the Component 1, the local land reserve center is the local institutional player in charge of generating state-granted urban-owned land through rural-urban land ownership conversion. The process of rural-urban land conversion requires a top-down approval procedure in which local land reserve centers are required to

report their proposed rural collective land for ownership conversion to higher government bodies at provincial or central levels for their permission. The role of local land reserve center in running “land financing” is extensive and versatile, which needs more exploration through further research.

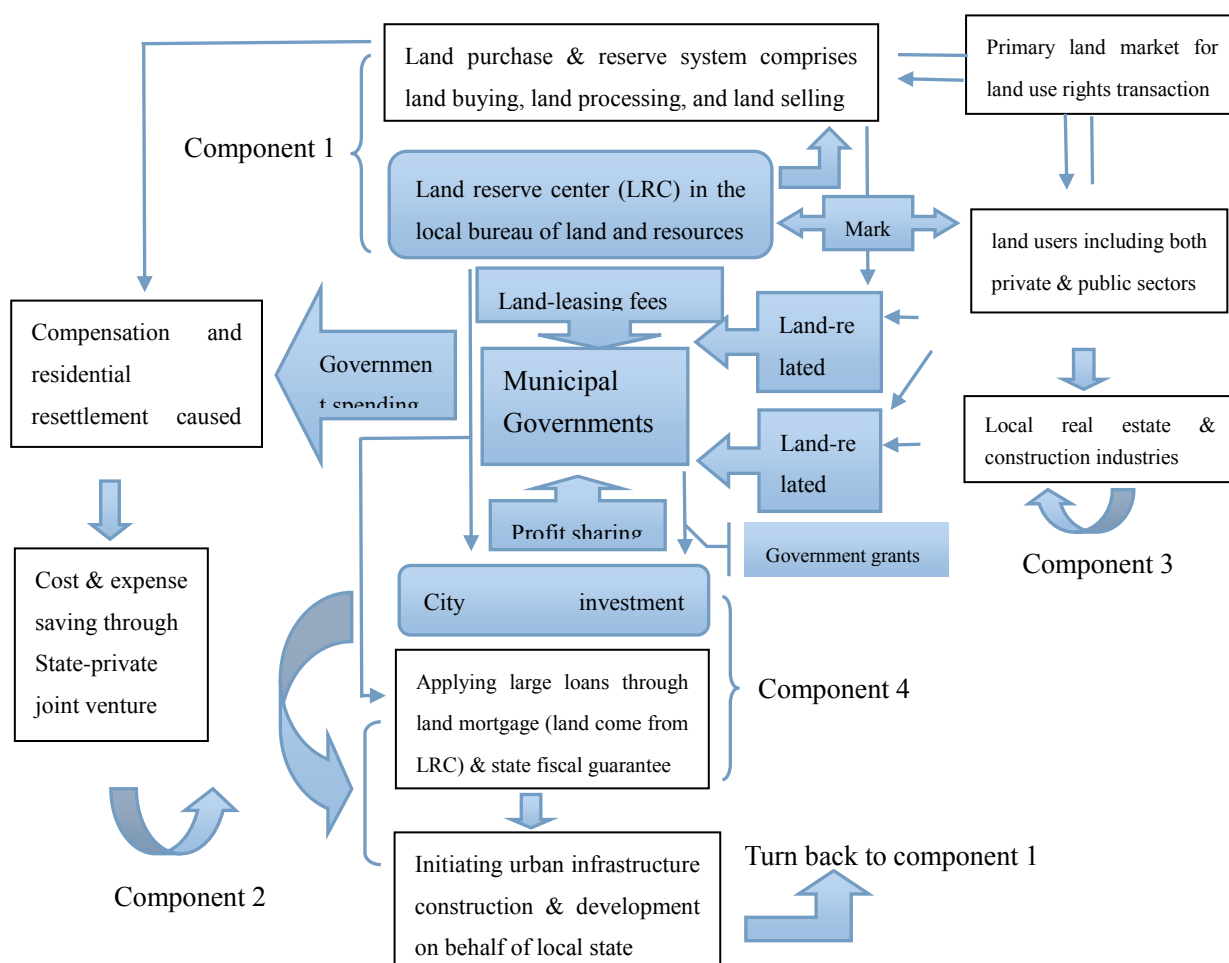
#### ***4.3.5 To conclude: A cycling process in land-centered financialization by local governments***

The above 4 specific components have been raised to emphasize different patterns and approaches by local governments in generating land-related income on one hand while saving land-related government spending and correspondent social costs on the other. Through their respective institutional players, each of these four components serves a specific function for the general system of land-centered financialization by local governments. These functions and different roles and powers of the main institutional players are illustrated in chart 4.2.

Effective practical operation of the general system of local-state-led land-centered financialization does not solely rely on the respective functions of the 4 specific components and correspondent institutional players. From a more macro and systematic perspective, inter-connections and casual relationships among these 4 components have actually formed into an important driving force that makes the system work. For example, the processes of land acquisition, land reserve, and land leasing in component 1 are implemented at the cost of government expending in component 2, which led to mutually beneficial behaviors between local governments and private sectors. Smooth implementation of component 1 could boost the development of local real estate and construction industries, as revealed in component 3. It could be concluded that large amount of land related-income collected by local governments are actually generated though component 1 and component 3 while the relevant profits are ensured through component 2 to a large extent by means of state-private collaborative cost saving strategies. A major part of this land-related

income is then imported into various state-funded investment companies for bringing large amount of bank loans. If this method fails to work, the land reserve center can collaborate with these state-funded investment companies in order to create opportunities for acquiring bank loans through land mortgage. Based on relevant research findings (Zhou, F., 2007; 2012), these loans are the actual government expense used to invest in various urban infrastructure projects and other state-led urban development initiatives, which would necessitate all the activities in component 1 where another cycling process starts.

**Chart 4.2 The mode and cycling process of land-centered financialization in China: different components and main institutional players**



## **Chapter 5**

### **Land-centered urban development, financialization, and resident relocation in action: the case of City G**

#### **5.1 General context and condition of city G**

According to the PRC constitution, the local administrative system for China's administrative regional divisions can be divided into three levels: province, county, and village. In practices, however, China's regional administrative divisions are based on the jurisdictions of local governments at four distinct administrative levels:

- 1<sup>st</sup> level: provinces, autonomous regions and municipalities directly under the Central Government
- 2<sup>nd</sup> level: cities with districts and autonomous prefectures
- 3<sup>rd</sup> level: counties, autonomous counties and cities
- 4<sup>th</sup> level: townships, ethnic townships and towns.

Within this four-level local administrative system in China, city G is at the 2<sup>nd</sup> level, which means that city G is a prefecture-level (municipal level) city under the direct jurisdiction of specific province. The legal framework and administrative regulations of city G therefore, need to function in accordance with relevant law and regulations of the State Council and that province. Nevertheless, the municipality of the city, especially the people's congresses and its standing committees at prefecture-level, has the autonomy to formulate and issue local legal regulations based on specific local contexts and variations.



The municipality of the city directly controls the administrative activities and affairs within its territorial area, including the administrative affairs and works of the counties and county-level districts in territorial areas under their jurisdiction. City G's local administrative region comprises both rural and urban areas. Its urban administrative region is constituted by four urban districts governed by their respective district governments, while its rural area governments include 1 district government and 7 county governments administering more than 500 village-level governments. District governments are with the same administrative level of county governments.

City G is geographically located in southern China. According to the statistical report of city G's economic and social development in 2014, which has been officially issued by city G's statistical bureau, the total residential population of City G's urban area has reached more than 3.5 million, while the number of rural residents exceeded more than 3.75 million. If the concept of urbanization rate is defined based on the ratio of urban residents to a total population, the urbanization rate of city G is about 48.5 %. This method however, does not take into account that a significant proportion of these urban residents are 'floating people' and temporarily migrants rather than permanent residents with registered urban households.

The rural-urban differential in household income and expense remains significant. In 2014, the annual per capita disposable income of city G's urban residents was 24 thousand Yuan contrasted with 13 thousand Yuan of its rural residents. The annual per capita consumption expenditure of urban residents was twice as much as that of rural residents. City G's rural residents normally spend 1.9 thousand Yuan per year for residential consumption expense, while its urban resident normally spend 2.9 thousand Yuan per year in the same area.

The municipality has indispensable power in regional economic control and policy making and may also directly intervene in cultural, educational, and social affairs.

Based on the official statistical report of city G's economic and social development, the annual average growth rate of GDP from 2010 to 2014 even reached 10%. The economic growth of City G has recently benefited from newly relocated industries (e.g. Foxconn) and investments (e.g. Wanda Media) and population migration in rural-urban mobilization as a result of rapid urban expansion. The completed investment in urban infrastructure construction in 2014 was 36 billion Yuan, an increase of over 50 percent compared with 2013. This investment in urban infrastructure construction accounted for nearly 20% of the total investment in fixed assets, and 15% of the total GDP of city G in 2014, respectively. The gross output value of city G's local construction industry reached 39 billion in 2014, which accounted for 16.5 percent of that year's total GDP of the city. After years of development, city G's urban area constituted by the four urban districts is now equipped with upgraded urban infrastructure and modern transportation facilities

The proportion of the local government's total revenue (including budgetary and off-budget revenue) to GDP has risen consistently from 2010 to 2014, which means the financial power of city G's municipality strengthened year by year. According to the latest report by Economist Intelligence Unit, city G ranked within the top 5 among all the 93 selected cities in terms of local government revenue growth in the period from 2008 to 2013. Nevertheless, it has been officially reported that the budgetary public expenditure largely outweighed the budgetary public revenue income of city G, which raises doubts about the legitimacy of such a prominent financial power increase.

The municipality of city G has monopoly power in direct manipulation of urban construction of infrastructure and public facilities through collaborative efforts with relevant subordinate bureaus under the governance of the municipality (including but not limited to local finance bureau, land and resources bureau, planning bureau, bureau of housing and rural-urban development, development and reform commission at municipal level, and various state-funded city investment companies). According to

the Economist Intelligence Unit's report towards the rankings of China's emerging cities in 2015, city G ranked within the national top 15 among all the 93 selected cities in terms of expansion in newly built urban areas between 2008 and 2013.

City G's local practices of constructing development zones and new city complexes are in accordance with the urban planning strategy of polycentric urban structure which aims to promote spatial expansion of urban metropolitan areas through initiating multiple urban core areas (Yue, W., Liu, Y., & Fan, P., 2010). This specific urban spatial structure, learned from Western theories and practices of urban development, has become increasingly prevalent among many newly emerging cities with the further deepening of the urbanization process in China. A common result of this urban expansion approach is the coexistence of rural collective land and varieties of urban state-owned land in the newly expanded urban areas, which can increase the complexity and diversity in land-use rights transfer, land acquisition and residential resettlement. Thus, in these newly added urban spaces that are often located in rural-urban fringes or peri-inner-city areas, the urban development projects in terms of both urban infrastructure construction and real estate development can encounter complicated scenarios and circumstances as a result of differing natures and types of land-use rights transfer, problematic residential relocation, and contested compensation-negotiating processes.

## **5.2 Examining relevant legal framework in city G: land acquisition, compensation, and residential resettlement**

This section discusses specific legal settings as relevant to city G. A document entitled: "Procedures of province X on the implementation of the Land management law of the PRC", which was published by the provincial government in 2012 determines the general power range of relevant municipal legal framework that can be formulated by

the municipality of city G. The central government often retains the legal and administrative authority to approve rural-urban land conversion in large cities in each province, with the aim of keeping centralized power in national land resource control. The relevant provincial legal framework ascribes city G into one of just four cities in the province, in which the administrative approval procedures for rural-urban land conversion require institutional approval from the State Council.

Rural-urban land conversion is the only significant area where relevant land approving & legitimizing power of prefecture-level governments like city G is subject to the provincial government. According to the relevant provincial legal framework, the administrative approval for urban land-use rights transfer is normally made by prefecture-level cities like city G except for the urban land areas that are extremely large. Specific plans and strategies of rural land expropriation and urban land retrieval are also decided by the prefecture-level municipalities under the provincial government. These prefecture-level municipal cities also retain the enforcement power in compelling land acquisition and demolition activities. They also have the autonomy in determining specific principals, criterion, and specific clauses of compensation and residential relocation for evicted residents, which are context-based and vary from place to place. Prefecture-level cities like city G still maintain the power in planning and implementing land leasing activities centered on conveyances of urban land use rights through their self-dominated primary land market.

The relevant prefecture-level legal framework made by city G's municipality in residential relocation mainly include three municipal-specific regulations that were identified in Table 4.2 in chapter 4. Among them, "Regulations of city G on housing demolition, compensation, and residential resettlement on collective land" and "Measures for construction and administration of the rural relocation houses in City G's urban planning areas" were issued on 2010 and 2012, respectively, in order to regulate specific measures of reimbursement, compensation and residential relocation for the evicted rural residents who previously lived in the area of rural collective land

where activities of rural land expropriation have been implemented. According to these two regulations, the entire urban planning area designated by city G's municipality can be divided into three distinct spatial scopes within which different compensation measures and construction modes of residential relocation houses are required to be implemented. Only scope A and scope B are relevant to the issues under this study. In the scope A where there needs to be a "key control" over all urban development projects geographically located within its area, only the construction mode of unified planning and construction (*tonggui tongjian*) is allowed for residential relocation and specific compensation and reimbursement measures. In scope B where all urban development projects geographically located within its area are subject to "strict control", all types of construction modes are allowed for residential relocation purposes, except for arbitrarily demolished and self-built relocation houses. This exception legally forbids the behavior of "producing houses for compensation" among evicted rural residents. Both monetary compensation and in-kind compensation are commonly used in scope B the selection of which is a matter for specific evicted rural residents. There are respective implementing standards for both of the two compensation approaches as well as the reimbursement for temporary accommodation if there are particular needs for transitional residential relocation.

The 2011 Interim Regulation of City G on the Expropriation of Buildings on State-owned Land and Compensation has not specified the detailed clauses and standards for compensating and relocating evicted urban residents. According to this regulation, specific compensation items and relocation details are up to the negotiations between demolishers and evictees, while the municipality of city G retains the final decision-making power if the negotiation fails to reach agreement.

The scenarios and implementing practices of compensation and residential relocation can become complicated if specific areas of ongoing urban development projects contain both rural-collective land and urban state-owned land. Under these

circumstances, it is possible for project implementers to carry out not only rural-urban land conversion and demolition of buildings on rural collectively-owned land, but also land acquisition, property expropriation and demolition of buildings on urban-state-owned land. In terms of regulatory procedures, compensation and relocation practices for each of these two scenarios must conform with the correspondent municipal regulation discussed above. There remain however, many contextual-based variations centered on conflict-solving mediation and benefit-sharing strategies that may not fully conform to the legal framework raised by the municipality of city G.

### **5.3 Examining relevant institutional settings in city G: main institutional players and their respective roles and functions in land-centered urban development**

#### ***5.3.1 Overall institutional settings in city G: the municipality of the city***

The prefecture-level authority in charge of the municipal affairs and activities of urban development, land acquisition, and residential relocation is the municipality of city G. The municipality commands a municipal bureaucratic system includes 31 subordinate departmental bureaus, 19 state-funded institutions, 4 offices and 5 special task agencies directly under municipal governance.

Among all the sub-units under the municipality, the departmental bureaus and institutions relevant to urban development affairs and activities of land acquisition, demolition, compensation, and residential resettlement are miscellaneous, which mainly include the municipal development and reform commission (MDRC), the municipal bureau of land and resources (BLR) together with its subordinate land reserve center (LRC), the municipal bureau of urban planning (BUP), the municipal bureau of housing and urban-rural construction (BHUC), the housing property bureau (HPB), municipal audit bureau (MAB), and the municipal tax bureau (MTB) and

finance bureau (MFB). These municipal institutional settings conform to the normal institutional framework in many other prefecture-level cities in the same province. There remain; however, two exceptions. The first is the practical implementer of land acquisition and demolition. The previous chapter discussed that land acquisition actually involves rural land expropriation and land-use rights retrieval (recovery) of urban state-owned land. As in other prefecture-level cities, the institutional implementer in charge of property demolition and expropriation within area of urban state-owned land is the municipal HPB; however, the practical implementer in rural land expropriation differs. Because of the contextual-based policy routine made by one of the former mayors of city G, district governments are in charge of implementing the activities of rural land expropriation and consequential demolition after relevant public announcements have been issued by the LRC on behalf of the top decision-makers. District governments are also responsible for negotiating specific compensation items and resettlement conditions with evicted residents. The district governments in city G therefore, have magnified implementing powers and problematic financial concerns in practice. The other distinct institutional setting in city G is a special task-group in charge of guiding and improving residential relocation,. This task-group will be discussed later.

Since the municipal bureaucratic system is centralized, subordinate government units and bodies are accountable for administrative tasks assigned by superior government authorities. Therefore, many specific administrative behaviors of these departmental bureaus and institutions are subject to the commands of executive-level cadres and municipal decision-makers in charge of all the issues and affairs involved with urban development & construction in city G. These people include the city mayor, a deputy mayor in charge of urban development, a deputy secretary general in charge, 4 department heads in charge of the relevant departmental bureaus, institutions, and agencies, and 4 few district heads in charge of the four district governments in city G's urban area. These individuals control the municipal system of urban development and residential relocation through two cross-departmental decision-making

committees: the land management committee (LMC) and the appraisal committee for construction of relocation housing (ACR).

### ***5.3.2 Framework of land-centered urban development in city G: relevant departmental bureaus under the command of the municipal LMC***

The land management committee (LMC) can be regarded as the top authority in land-centered urban development in city G's territorial region because of its function and the constitution of its members. The municipal LMC was established in 2010 with an initial aim of disposing urban and rural land resources in city G in a more centralized way. It performs an arbitration role in monitoring, deciding, and approving macro-level key issues involved with land-centered urban development. Its functions include approving the strategic plan in municipal land acquisition, land reservation, land leasing, and urban land user rights transfer; monitoring the implementation process of this strategic operational plan; deciding the specific minimal land leasing prices in primary land market as well as the implementation strategies toward land finance and fund provisions for land acquisition; and resolving prominent difficulties and problems encountered in all the relevant processes. Each of the members of the municipal LMC is either an executive-level local cadre in a specific area or a local top decision-maker on behalf of the municipality of city G. The commissioner of the municipal LMC is the mayor of the municipality while the deputy commissioner is the deputy mayor in charge of urban development. Other members include the deputy secretary general in charge, the department heads in charge of relevant departmental bureaus, and the heads of district government, high-tech development zones, and industrial parks. The office of the LMC has been institutionally merged with the municipal BLR, with and the director of the LMC's office the head of municipal BLR. Therefore, in city G's institutional settings, the municipal land purchase & reserve system is operated by LRC under the command of the office of municipal LMC.

The importance of the municipal LMC is manifested not only in its arbitration role



and directing functions in land-centered urban development, which have been discussed above, but also in its authority in commanding and appointing different tasks to those relevant departmental bureaus (MDRC, BLR, BUP, BHUC, HPB, MAB, MFB, and MTB) and district governments which may contribute to land-centered urban development in different dimensions. For example, BLR is responsible for municipal land policy making and guiding the LRC; MFB is responsible for fund-raising, cost calculation, and income management of land acquisition, land reservation, and land leasing in city G, respectively; BUP is responsible for initiating urban planning control on the land reserved in the LRC; HPB is in charge of implementing the activities of property demolition and expropriation within the area of urban state-owned land and the consequential compensation and residential relocation for the evicted urban residents; and district governments are responsible for implementing rural land expropriation and the consequential demolition, compensation and residential relocation. The political roles and occupations of the members of LMC ensure the realization of LMC's authority in commanding all these relevant departmental bureaus and district governments.

### ***5.3.3 Land reservation and land leasing: the land reserve center***

Due to the presence of the LMC's office, the land reserve center (LRC) is responsible for implementing specific matters in the municipal land purchase & reserve system and is subject to the decisions made by the LMC's office. Based on relevant documentary review, even though the nature of the LRC is a state-funded public institution under the municipal BLR rather than a government unit, it is more powerful than any other branches under the municipal BLR. The LRC takes power in launching municipal land purchase & reserve system and applying for provincial approval for rural-urban land conversions in city G. Besides, it can also directly intervene in land-centered financialization through collaborating with various city investment companies, which is to be elaborated in the last section of this chapter. 6 years ago before the former mayor urged district governments to undertake the duties

of rural land expropriation, demolition, and compensation negotiation, the LRC operated with more power than it currently retains as it was the practical implementer of the duties currently undertaken by district governments before the institutional change. If compared with the framework presented in Chart 4.1, the LRC in city G remains in charge of the stage of land processing (primary land development and land reservation) and the stage of land selling (primary land market management centered on land leasing), which account for a major part of the municipal land purchase & reserve system. In terms of the stage of land buying (various types of rural land expropriation & purchase) however, the LRC is only responsible for conveying top-down directions on behalf of the LMC, which are often in the form of public announcements that can guide district governments in identifying the targeted rural collective land to be expropriated. The LRC is mainly responsible for receiving rural collective land expropriated by district governments, while a major part of the duties of recovering and purchasing land use rights of urban-state owned land is undertaken by another office under the municipal BLR.

The head of the LRC was appointed as one of the deputy-heads of the BLR and the total number of staffs in the LRC already exceeds 40 in 2015, which is 5 times more than total number of staff in any other branches under the BLR. According to one of the staff-members working in the LRC, this is because the LRC is dealing with too many specific matters every day and the LRC staffs are normally carrying much heavier workloads than other staffs in the BLR. As for division of work, the total of 43 staff are divided into four working groups with one special group in charge of finance, and each of the four groups responsible for conducting relevant works on a project-by-project basis in one of the four districts within city G's urban area.

The LRC's achievement in revenue generation for the municipality is significant. The government revenue directly contributed by the LRC has shown an increasing trend year by year since it was established in 2002. During the period from 2009 to 2012, 8465 mu (nearly 5.6 million sq.m) of reserved land has been leased to market users at

a land conveyance price in the primary land market, which brought 3.6 billions RMB to the municipality of city G. In the single year of 2013, the annual land areas transacted in primary land market reached 4282 mu which is nearly half of the achievements accomplished in the past four years. In 2014, this number reached 7831 mu with a total transaction amount of 12.7 billion RMB. Even though what the municipality may acquire has been centered on the land leasing fees made from primary land market transaction, which occupies only part of the annual total amount of land use right transaction capitals, the specific amount of it is staggering.

#### ***5.3.4 The practical implementors of land acquisition, building-demolition, compensation, and residential resettlement: district governments and the municipal HPB***

As mentioned previously, a distinct institutional convention in city G's political context is that district governments, rather than the LRC, are the practical implementers of rural land expropriation and the consequential demolition, compensation, and residential resettlement, which magnifies the importance of district governments in the municipal practices of land-centered urban development. The district governments have established many project headquarters to implement these duties project by project, all of which are supervised and urged by the directors in charge of the district governments. A document (Anzhifang gongzuo qingkuang huibao of city G, 2014) revealed that the municipal top decision makers in city G tried to change this local conventional practice through depriving district governments of the executive power in launching these government behaviors but finally failed to do so because of the coincident resistances of the principal directors in charge of all four urban districts in city G.

As mentioned in chapter 4, local municipal governments need to pay for the expropriation cost of rural and urban land (zhengdi fei) when they initiate rural land expropriation, which comprises government expenses in land expropriation, building

demolition, and compensating and relocating the evicted rural residents. This amount of money is allocated by the municipality of city G as a special grant through subtracting from the total amount of land use right transactions. Even though it is an expense afforded by the municipality rather than district governments, the municipality must pay district governments this money to enable them to begin expropriation activities. This mismatch made the scenario more complicated because it has actually resulted in confrontation and game-playing between the municipality and district governments whereby one party's gain is at the expense of the other party's loss. From the perspective of district governments, they can "earn more profits" through claiming for a larger amount of land expropriation cost than they really need, or more areas of buildings to be demolished. If the municipality refuses to agree their claims, they can delay or stall land expropriation progress to counter the municipality. In terms of specific amounts of land expropriation cost, the municipality bargains with district governments because the municipal top decision makers know there can be excessive gains retained by district governments, but have no choice in choosing other institutions to replace them. Therefore, the degree to which district governments financially benefited from the municipality's special grants of land expropriation cost is largely dependent on which party finally compromises during the bargaining process.

Sometimes things can go bad when the municipality suspects district government of claiming excessive land expropriation cost. In city G, the generating procedure of land expropriation costs entails a bi-directional, decision-making process in which district governments conduct preliminary diagnostic estimation on specific amounts of land expropriation cost needed for the activities undertaken by them. They then report this estimated amount to the municipality for financial approval. Thus, there are normally two versions of land expropriation cost. The first is reported by district government for the municipality's approval and the second is the land expropriation cost that have been actually allocated by the municipality. The 'game-playing' practices between district governments and the municipality can easily lead to the scenario in which the

municipality assumes the land expropriation cost reported by district governments to be largely excessive and unnecessary because of “past experience”. In response, the municipality often cuts down the land expropriation cost so much from what district governments have reported that the remaining amount of money cannot meet the real needs of land expropriation. It is almost impossible for district governments to pay those money by themselves. In such a condition, the activities of rural land expropriation and demolition can be stalled for a longer time. This can develop into the worst-case scenario whereby all institutional stakeholders lose their respective benefits because of the stalled progress of rural land expropriation and relevant urban development projects. A relevant document (Chengqu jiyou anzhifang chuli yijian of XZ district, 2014) contains the following discussions:

“...To ensure the urban construction land provided by the LRC must be “clear” and “cooked” land, we need district governments to launch rural land expropriation and demolition. But for whatever reasons, the specific amount of land expropriation cost subsequently approved by the municipality usually can not meet the requirement of land expropriation cost claimed by district governments. This has led to stalled rural land expropriation and emergence of unused urban construction land. The consequential negative influences are many-sided. The land users which bought the land use rights cannot use the “uncooked” land for urban construction and development purposes because government fails to demolish on-grounds buildings on time. The municipal LRC and BLR cannot proceed land leasing activities since it is illegal to transact land use rights of those “uncooked” land that have not experienced the procedure of land development and building demolition by district governments. The municipal finance bureau (MFB) on behalf of the municipality thus cannot acquire sufficient land-related income centered on land leasing fees. And the district governments also cannot benefit further from claiming land expropriation costs.”

Regardless to what extent the land expropriation cost reported by district governments

is divergent from the practically needed amount of land expropriation cost, the negotiation between them and the municipality is almost inevitable. More seriously, apart from this inevitable negotiation process, there is another set of negotiations between district governments and evicted residents. District governments hope to take various measures to reduce the sum of money actually spent on compensating and relocating evicted residents because their profits can be maximized through this way. In this aspect, district governments in city G often adopts the approach of state-private collaborative resettlement which will be discussed in the later section of case study. In response, evicted rural and urban residents become much more demanding in terms of compensation requirements. Their strong profit-making desires sometimes can even force district governments to comprise:

“Our investigations revealed that in many cases, the land expropriation cost provided by the municipality always has been often unable to fulfill the practical needs. And the reason is that the evicted residents require not only more areas of relocation houses than their previous buildings have, but also demand excessive compensation for their “newly planted houses” that are illegal. Under the task pressure by the municipality, district governments have no choice but to compromise these extravagant requirements. Even the land expropriation cost allocated by the municipality to district governments increases year by year, it remains insufficient for compensation and residential resettlement.” (Anzhifang gongzuo qingkuang huibao of city G, 2014)

In summary, a chain of activities including rural land expropriation, demolition, compensation, and residential relocation can be stalled for a long time in city G because of these two segments of negotiations, each of which is involved with district governments.

The deferment of rural land expropriation, which is often a result of the tedious and lengthy negotiation between district governments and developers, can disturb the

whole picture of land-centered urban development in city G. If the municipality insists on the regulatory requirement of the 2012 Measures for Disposal of Unused Land, which is centered on ensuring that the land leased to the correspondent land user must go through all the procedures of demolition, compensation, and residential resettlement, the municipal revenue is to continually suffer from the consequential reduction in land-related and construction-related income. Because stalled progress of rural land expropriation and building demolition will bring unexpected government expenditure in relocating residents. As a result of this dilemma, sometimes the municipality compromises to “reality” to allow land users to implement those “land-clearing duties” (including demolishing on-grounds buildings and negotiating with evicted residents over compensation items) by themselves. These different approaches and practices have contributed to the chaotic phenomena in rural land expropriation and relevant building demolition and residential relocation in city G.

According to the 2011 Interim Regulation of City G on the Expropriation of Buildings on State-owned Land and Compensation, the municipal HPB is the local authority in charge of implementing property expropriation and demolition within the area of urban-state owned land and consequential works in compensation and residential relocation. The actual power in deciding whether or not an urban development project requires relevant property expropriation and demolition within the area of urban-state owned land however, is retained by the top decision makers in the municipal government of city G. Compared with to the implementation process of rural land expropriation, which is actually manipulated by district government cadres with different financial interests and political concerns, the implementation of property expropriation and demolition within the area of urban-state owned land is under centralized management with a unified operational procedure and strict municipal control. The compensation approach adopted by the municipal HPB is centered on in-kind compensation through government-funded residential relocation, with the compensation standards also much more consistent than the compensation standards for rural land expropriation. Therefore, unlike the chaotic phenomena in rural land

expropriation and relevant demolition and residential relocation, the implementation of property expropriation and demolition within the area of urban-state owned land in city is under better control.

### ***5.3.5 Guiding and improving residential relocation in city G: the municipal MOR and ACR***

In response to the chaotic state of rural land expropriation and the consequential residential relocation, in February 2014, the municipal top decision makers decided to urge district governments to properly relocate all the evicted urban and rural residents before a specifically designated deadline though initiating liability agreements with the directors in charge of the four district governments. In these agreements, the directors in charge of the district governments guaranteed that first, the land expropriation cost allocated by the municipality was to be used for its intended purpose rather than any other objectives; second, through monitoring the construction progress of residential relocation projects, district governments promise all the ongoing relocation projects within their respective jurisdictions are to be accomplished on time; and third, district governments make sure they will collaborate with the municipality in checking the unauthorized relocation projects and processing all the administrative approval procedures for them.

Under this specific context, the municipal government's office of residential relocation (MOR) has been established by the municipality in order to meet the proposal by the head of the municipal communist party. The nature of the MOR is a special task group for the municipality, which has no superior or subordinate relations with district governments as the main implementers of rural land expropriation and residential resettlement. The deputy secretary general in charge of urban development has been appointed as the head of the MOR. Group members of



the MOR include mid-level personnel from all the department bureaus relevant to urban development affairs, including the municipal BLR, the BUP, the BHUC, the HPB, the MAB, and the MFB. The personnel constitution made the MOR a relatively senior and experienced government agency in terms of urban development and residential relocation.

This newly established government agency takes multiple roles. The initial purpose of establishing the MOR is to provide one-stop solutions for processing all relevant administrative approval procedures needed for the legitimization of those unauthorized residential relocation projects which have not been recognized by the municipality of city G. The MOR is responsible for collecting and processing relevant data and information of all residential relocation projects in the municipal urban area under the jurisdictions of the four district governments. In this respect, an ongoing step by the MOR is the setting up of a city-wide residential relocation database through recruiting professional techniques.

An important duty of the MOR is checking how honestly the land expropriation costs allocated from municipality are spent by district governments, as well as the validity of the demolished area reported by district governments in case of the probability that district governments have claimed more area of demolished buildings in order to gain more land expropriation cost from the municipality. The ultimate goal of these efforts is to defend the possible countermeasures adopted by district governments. The MOR is also in charged in of inspecting the actual area of relocation houses reimbursed to relevant evicted residents in case of the possibility that some evicted residents acquire excessive benefits from district governments, while others get inadequate reimbursements.

The MOR is also a coordinating government agency that bridges the municipality and district governments through conveying newly-initiated policies and instructions from the municipal decision makers to the district governments on one hand, while

submitting district governments' feedback to the decision makers on the other. Thus the MOR is capable of knowing how efficiently district governments implement relevant policies the municipality has mandated. The MOR can be regarded as an important step of institutional adjustments intended by the municipality in order to improve the overall condition of residential relocation in the municipal landscape.

The appraisal committee for construction of relocation housing (ACR) is the municipal top authority accountable for both evaluating and approving residential relocation projects declared by district governments and commercial developers. The committee members of the ACR include not only the top decision makers in charge of urban redevelopment-related affairs, but also the directors and department heads from all government bodies relevant to planning, monitoring, and construction of residential relocation housing. These government bodies include BUP, BHUC, HPB, BLR, MFB, MDRC, and relevant district governments. The decision making process of the ACR is often taken through the form of special panel meeting hold by the deputy mayor or the deputy secretary general in charge. The normal procedure of this special panel meeting starts with short introductions and descriptions toward the relocation projects under examination and approval, which are always reported by relevant directors and professionals in charge of these projects. District government directors and department heads are then able to voice their concerns and opinions on the proposed relocation projects. The final decisions are often made by the decision maker with the highest level; in this case, the deputy mayor in charge. Once the decision has been made, the panel meeting comes to an end and there is no room for further discussion. This is to say, the ACR's final decisions upon the approval of specific relocation projects still largely override the top decision maker's personal vote.

### ***5.3.6 To conclude: the main institutional players and the relational networks among***

*them*

Based on the above elaborations, the main institutional players and their respective roles and functions in land-centered urban development and financialization are summarized as follows.

- The municipal bureau of land and resources (BLR): the local authority in charge of disposing rural and urban land as well as mineral resources within the jurisdictional area of city G. It retains the power in issuing state-owned land use permit (guoyou tudi shiyong xukezheng), as one of the 5 specific cards needed for real estate development projects. Policy process of BLR is subject to the municipal LMC and relevant provincial land authority.
- The municipal land reserve center (LRC): As a core department within the BLR, LRC is the key institution operates primary land market and the 3 stages of land purchase & reserve system. Functions of the municipal LRC include not only those of land-centered urban development, which have been described earlier, but also land-centered financialization, which will be elaborated latter in this chapter.
- The municipal land management committee (LMC): As the superior body of municipal BLR and LRC, the municipal LMC is the top municipal authority in all decision-making processes relevant to land-centered urban development and financialiation. It is in charge of announcing land-related policies and strategies made by the top decision-makers in city G. Group members of the municipal LMC are the heads of all the relevant bureaus and district governments.
- The municipal bureau of urban planning (BUP): The local authority in charge of making spatial arrangement of the location sites of infrastructures, real estate constructions, and relocation projects. It retains the power in issuing two of the 5 specific property permit cards needed for real estate development projects: construction land-planning permit (jianshe yongdi guihua xukezheng) and construction project-planning permit (jianshe gongcheng guihua xukezheng).
- The municipal bureau of housing and urban-rural construction (BHUC): The local authority in charge of approving the construction process of any buildings

and structures within the jurisdictional scopes of all urban districts and counties in city G. It retains the power in issuing construction work implementation permit (jianshe gongcheng shigong xukezheng), as one of the 5 specific cards needed for real estate development projects.

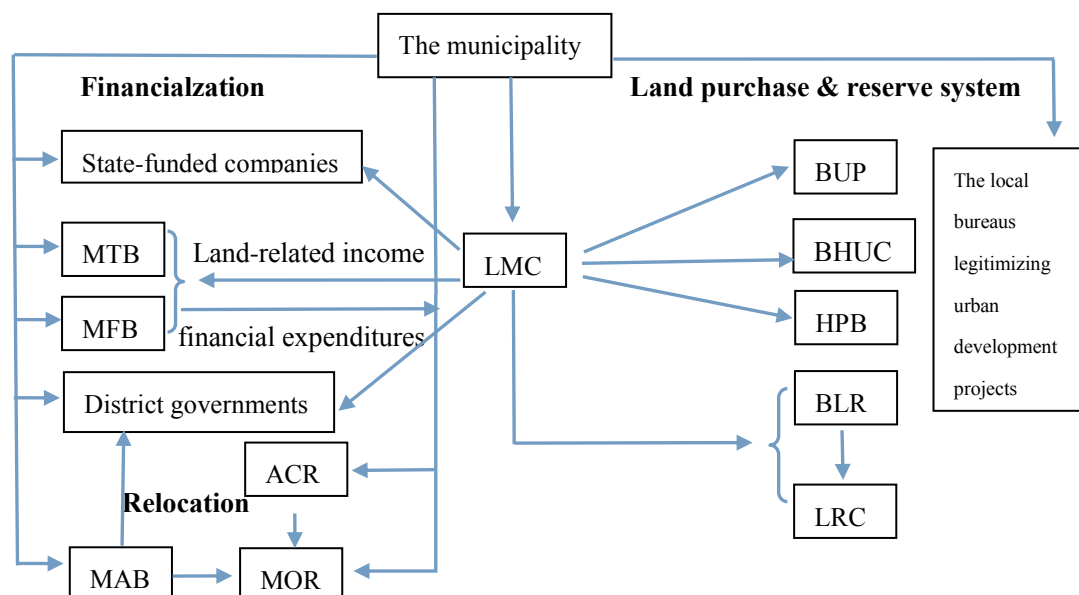
- The municipal housing property bureau (HPB): The local authority in charge of implementing property expropriation and demolition within the area of urban-state owned land and consequential works in compensation and residential relocation. It retains the power in issuing commodity housing sale permit (shangpinfang xiaoshou xukezheng), as one of the 5 specific cards needed for real estate development projects.
- The municipal finance bureau (MFB): The financial controller of the municipality, which is in charge of allocating special funds and grants for government expenditure management. On the other hand, MFB is also in charge of collecting off-budget revenue generated from various land-related income sources, especially land leasing fees.
- The municipal tax bureau (MTB): The local tax authority in charge of collecting in-budget tax revenue relevant to land-centered urban development, on behalf of the municipality.
- The municipal auction bureau (MAB): A supervisory body in charge of monitoring capital turnover and special fund usage led by any government behavior towards land-centered urban development.
- The municipal development and reform committee (MDRC): The local project-processing authority in charge of examining and approving the construction projects of urban infrastructure within the jurisdictional scopes of all urban districts and counties in city G.
- The municipal government's office of residential relocation (MOR): A temporarily mediating agency connecting the municipality and district government in terms of residential relocation affairs. Group members come from the municipal BLR, the BUP, the BHUC, the HPB, the MAB, and the MFB.
- The appraisal committee for construction of relocation housing (ACR): Leading

committee of the municipal MOR. Like the personnel constitution of LMC, group members of the municipal ACR are the heads of all the government bodies relevant to residential relocation.

- District governments: undertaking the implementation duties of land acquisition, building demotion, residential compensation and relocation under the commands of the municipality and the municipal LMC.
- The state-funded city investment companies: A group of companies retaining strong bureaucratic background but initiating urban infrastructure construction in a corporate identity. Detailed functions of these companies will be elaborated in the last part of this chapter.
- The municipality of city G: controlling the entire municipal system of land-centered urbanization through commanding and concentrating collaborative efforts of all the relevant bureaus above, especially the municipal LMC.

The following chart demonstrates a general map highlighting the relations among the above all institutional players in municipal land-centered urban development and financialization in the municipal context of city G.

**Chart 5.1 The relational networks among all local institutional players relevant to land-centered urban development and financialization in city G**



## **5.4 Municipal practices of land acquisition, residential relocation, and grassroots countermeasures in City G: Case of XZ project**

### ***5.4.1 Project background: municipal condition in land acquisition and resident relocation***

A relevant document (Chengqu tudi zhengshou anzhifang quanzheng banli yiliu wenti chuli yijian of city G) revealed that the earliest relocation housing project led by government-invested urban infrastructure construction was built by the municipal government of city G in 2001. Since 2009, city G has been experiencing an accelerated process of urban expansion; spreading urban landscapes of the four urban districts, one high-tech development zone, and two industrial parks. The original single urban core has been extended into several urban metropolitan areas respectively located in different urban districts and the high-tech development zone. This round of “city-constructing movement” is still continuing with numerous new urban spaces encroaching into rural residential and cultivated areas, bringing in many “uneaten” rural collective land scattered in the newly expanded urban landscapes, which awaits for further round of rural land expropriation and building demolition. Many urban state-owned properties previously occupied by local SOEs were retrieval by the municipality for inner city redevelopment, which was supposed to use them in a more efficient way. From 2009 to 2014, a total area of 38000 mu rural collective land and urban state-owed land have been acquired by the municipality in city G, of which rural land expropriation accounted for over 90% while urban land retrieval only accounted for nearly 10%. Compared to the chaotic state of rural land expropriation and the consequential residential relocation however, the implementation procedure and compensation criterion for urban land retrieval, property expropriation, and the consequential compensation and residential relocation are much more standardized as the unified management of the municipal HPB relies on the decision of the municipality. In the total area of city-wide landscape, this large-scaled land

acquisition (including rural land expropriation and urban land retrieve) has resulted in 3.3 million square kilometers (sq.m) of demolished buildings and a total number of over 48 thousand evicted rural and urban residents until the end of 2014.

Government-funded (or state-led) projects and private-invested projects are the two general types of urban development projects that led to this large-scale land acquisition. Government-funded urban development projects are centered on the construction initiatives of urban infrastructure and various public facilities, while private-invested projects mainly include real estate development projects and state-private collaborative projects. The local routine is that funding responsibilities of compensation and residential relocation are afforded by the municipality and private sectors, respectively. If the correspondent urban development project is government-funded or a private-invested. In the municipal normal practice, the compensation standard for the land acquisition initiatives from state-led urban development projects is normally lower than the compensation standard for the land acquisition initiatives resulted from real estate development projects, because in the latter situation, the specific compensation items can be negotiated between private developers and evicted residents in a flexible way. In terms of the land acquisition initiatives resulted from state-led projects, specific compensation standards have been fixed by relevant official announcements (see table 5.1). These standards are relatively stable even different district governments may change them to certain extent when necessary. The municipal overall compensation standard ranks the third lowest among the 13 prefecture-level municipalities in the province.

**Table 5.1 Specific compensation standards for reimbursing activities of land acquisition and demolition resulted from state-led projects in City G**

Unit: square meter			
	Relocation area per capita	Relocation area per household	Special terms
The municipal overall standard	No more than 55	No less than 65; No more than 165	Allow for higher-level compensation in practices

XG urban district	ibid	ibid	ibid
XH urban district	ibid	ibid	ibid
XZ urban district	ibid	ibid	ibid
XF urban district	ibid	No more than 240	ibid
The two industrial parks	ibid	Evicted residents need to pay extra money if they insist on acquiring more relocation area	
The high-tech development zone	No more than 40	60% of the part exceeds the maximum relocation area per household can be calculated into the practical relocation area; local cadre's household enjoys an extra relocation area of 60	

Source: relevant government documents

Until the year 2014, to relocate evicted rural and urban residents whose normal lives have been influenced by the large-scaled land acquisition and building demolition in a city-wide landscape, private developers have funded the construction of a total area of 149 million sq.m of relocation housing for the evicted rural and urban residents whose residential needs are within their scope of responsibility. The municipal government have funded the construction of a total area of 239 million sq.m of relocation housing as a consequential financial responsibility of government-funded urban development projects mainly centered on urban infrastructure construction. Approximately three-fifths of the residential relocation housing in city G were funded at government expense, since the overall state of land acquisition and urban expansion in city G resulted more from mass emergence of government-led urban infrastructure, rather than real estate development. The total area of land acquisition (including urban land retrieve and rural land expropriation) achieved by government-led urban development projects from 2001 to 2014 summed up to 25000 mu which accounts for nearly two-thirds of the total area of land acquisition, resulting in a total demolished area of 2 million sq.m and 31000 evicted rural and urban residents who have been in need of resident relocation; twice than the number of evicted residents relocated by private developers in the city. When the private sector is in charge of funding residential relocation, there are often fewer financial problems in relocation housing construction. Comparatively, those relocation projects supposed to be funded by government body frequently encounter a funding shortfall. The funding shortages reported by the four



district governments are much more serious than those reported by the governments of the high-tech zone and the two industrial parks. According to the investigation reports submitted by the four district governments in 2014, relevant funds used for residential relocation reached a total deficit of 617 million RMB. As a result, only 60% of the evicted urban and rural residents in the four urban districts have been appropriately relocated in a regular way. The majority of residential relocation projects were completed over two years after the activities of property expropriation and demolition took place in the four urban districts. This funding shortfall can be partly attributed to the contested negotiating process between the municipality and district governments, both of which expect savings benefits through minimizing financial inputs in residential relocation.

Both the municipality and district governments were in need of finding a way to cope with this dilemma together regardless of the sophisticated relationship between them. A normal practice adopted by the municipality and the four district governments in city G is to recruit private funds and construction techniques through initiating joint ventures of residential relocation between government and the private sector. In return for the private investments in relocation, district governments together with the municipality normally provide the involved private investor with appointed land price privilege if this private sector expects for a land leasing in the primary land market. If the private sector prefers more direct reimbursement, another normal approach by district governments is to increase the floor-area ratio of the planned relocation site to allow private investor to fund more relocation houses with complete or limited property rights (*xiao chan quan fang*), both of which can be put into the market for profit-making purposes. These constitute the two normal approaches of state-private joint venture emerged in city G, both of which can be used either in relocating the evicted rural residents suffered from rural land expropriation, or in relocating the evicted urban residents who have experienced urban land retrieval and property demolition and expropriation.

Unfortunately, both of these approaches of state-private joint venture suffer from chaotic implementation, especially when they are used to relocate the rural residents who have experienced rural land expropriation. For instance, sometimes district governments do not need to invest any fund into residential relocation because of private sector's financial assistance. Private developers do not tend to employ professional techniques in relocation construction; instead, they often transfer their funds to relevant district governments which then sign relevant subcontracts with village governments to transfer all the duties of relocation construction to village cadres. Village governments often sign another subcontract; again, with local construction companies containing a collaborative relationship with the village cadres. As a result, it becomes difficult to guarantee the quality of relocation housing construction.

In terms of urban spatial distribution, all residential relocation projects built through either of the above two approaches of state-private joint venture are geographically located in the relocation sites designated by the municipality. Because these relocation projects are actually subject to the municipally-regulated relocation mode of unified planning and collaborative construction (*tonggui lianjian*) that entails unified planning and control of residential relocation sites in both the scope A and B in city G's urban planning area, which have been introduced earlier in the previous section. Because of the prominent shortage of government funds in affording residential relocation, a majority of these state-designated relocation sites are often occupied by the relocation houses built through state-private joint ventures, rather than those government-funded relocation houses. When the HPB and the municipality cannot allocate sufficient land space to relocate the evicted urban residents influenced by property expropriation and demolition within the area of state-owned urban land, some of these urban residents are often relocated side-by-side with evicted rural residents, in order to save urban land area used for the state-designated relocation sites. The municipality believes that this approach of "merging relocation" can also help to alleviate its financial burden in relocating both the evicted urban and rural residents by means of temporarily sharing

their respective relocation infrastructure and facilities.

#### ***5.4.2 Project process of development: the municipality, district government, and state-private joint venture***

The urban development project examined in this study is named as “XZ project” since it has been geographically located in XZ urban district that governs 4 street offices and 28 community residential committees within its urban region. There are 34 village committees located in the remaining rural collective land scattered outside the urban region of XZ district. Up to 2014, there have been 69 large-scaled urban development projects which have entailed consequential relocation projects prepared for a total number of 20000 evicted rural and urban residents who previously lived in XZ district. Most of these relocation projects have not received any administrative approval procedures so far. Among the 69 projects, 30 are state-led urban development projects, which means that the government in city G needs to fund 30 residential relocation projects prepared for approximately 10000 evicted residents in XZ district. Because of a funding shortage, only 19 of the 30 relocation projects have been completed in 2014. The per capita relocation area received by individual evictees in the 19 relocation projects reached 165 sq.m, which is three times of the municipal overall standard (see table 5.1). This has enabled many of the evicted residents to sell their unused relocation houses for profits. The actual number of relocation projects operated through the first approach of state-private joint-venture in XZ district is difficult to define, because appointed land price privilege, or discount is often regarded as hidden information that cannot be calculated into the category of state-private joint venture in official documentations. The implementation process of the first approach of state-private joint-venture is to be elaborated through the description of the XZ project case as follows.

The initial purpose of XZ project is to cope with the resident relocation needs caused by roadside-area development of a major city trunk-road crossing over three urban districts and one high-tech development zone in city G. The construction of the

principal part of this city trunk-road was completed and open to traffic at the end of 2012. Due to its geographic and traffic location in the municipal area, this highly-modernized major road become a key link in city G's transportation network. With significant geographic position and high level of construction requirement, the expectation of the function of this city trunk road in boosting regional economic development and real estate investment opportunities along the roadside areas, especially for the road part in the XZ district, is high. To facilitate roadside-area economic development through vacating sufficient land areas that had been previously occupied by disorganized rural housing, old inner city communities, and various unauthorized buildings with limited property ownership (xiao chan quan fang), the project implementor—the XZ district government—was urged by the municipality to afford the tasks of rural land expropriation and consequential building demolition, in order to provide sufficient land space for the relocation sites designated to relocate the evicted rural and urban residents alongside the city trunk road in XZ district. With the assistance of the HPB, the municipality also needed to resolve relevant issues in compensating and relocating the evicted rural residents who experienced urban land requisition and consequential property demolition and expropriation resulting from the roadside development of the city trunk road in XZ district. With limited government funds centered on land expropriation cost and building demolition reimbursement, the core issue that determines the failure or success of XZ project implementation is how to relocate the over 1800 evicted urban and rural residents suffered from land acquisition, providing that they may strive for at least an equivalent compensation which can not be fully guaranteed by government without special measures.

The following section will elaborate the project process based on a timeline sequence of events. In order to follow the municipality's order in creating sufficient land space for the relocation site of the XZ project, XZ district government started the activities of rural land expropriation and consequential building demolition in 2009. As a result, a total area of 117 mu rural collective land was converted into urban state-owned

construction land as XZ project's relocation site designated by the municipality. Another 9 mu rural collective land was drawn out as another designated site for relocating the evicted rural residents suffered from the 117 mu rural land expropriation and consequential demolition, rather than the roadside area development of the city trunk-road. This is called a "second-round relocation" in relevant industry parlance in city G because the corresponding first round of land acquisition entails another group of evicted residents who need to be relocated in another place. There was; therefore, a total of 126 mu of rural land that was expropriated by XZ district governments for residential relocation. The total expropriation cost of this rural collective land was paid for by the municipality. In order to cover the shortage of government funds for residential relocation, the municipal LMF asked the municipal LRC to list the 117 mu land (the land of designated relocation site for XZ project) on the primary land market at a minimum land leasing price (about 330 thousand RMB/mu), but still failed to attract any private developers at the beginning of 2010. The land leasing period expired two months later.

As a result of this financial dilemma, after the activities of land acquisition and building demolition were completed in 2010, most of the evicted rural and urban residents had been arranged to move into temporary residential places for nearly 2 years, waiting for their relocating solutions promised by government. Considering the financial limitations, the municipality allowed the three involved district governments to adopt state-private joint ventures for residential relocation. At the end of 2010, XZ district government initiated a public bidding event and successfully recruited CH real estate development company as the private investor to take part in relocation housing construction for XZ project. Both parties signed the contract of collaborative relocation housing construction. According to the agreements between both parties, CH company is to afford the following aspects of expenditure:

- Land expropriation cost of the 117 mu rural collective land;
- Stipulated land fees handed by the XZ district government;

- Extra funds apart from the existing insufficient government funds, which were needed for the construction of residential relocation housing for both the evicted rural and urban residents in XZ project.

- Expense in dealing with all relevant administrative approval procedures and legal permissions of the relocation housing for the evicted urban residents only, which including 5 specific property permit cards issued by the municipal BUP, HPB, BLR, and BHUC, respectively.

For repayment, CH company has obtained:

- The privilege in gaining the land use rights of the 117 mu urban state-owned land at a discounted land leasing price (about 330 thousand RMB/mu), with the restrictive condition that only 61 mu out of the 117 mu urban state-owned land was identified as state-granted land for land conveyance rather than land allocation, which can be used for real estate development. The remaining 56 mu urban land are state-allocated land for public uses, which must be used for relocating the evicted rural and urban residents suffered by XZ project (6 mu for relocating the evicted rural residents from village YP, 50 mu for relocating the evicted urban residents from the roadside areas of the city trunk road, respectively).

- Designated buyer of the real estate property if CH company accomplish real estate development on the 61 mu urban construction land. The buyer is designated by government and is capable of large-scale purchase.

These clauses were acceptable to both XZ district government and CH company. For XZ district government, how much the minimum land-leasing price was not a priority, since it did not provide any direct benefit. For the CH company, since there was little worries about the sales volume because of the designated buyer, the profits generated from the 61 mu land for real estate development will easily offset their investment in relocation housing construction. Nevertheless, the problematic issue was that when the contract was finalized the end of 2010, the authorized land leasing period had already expired. Without land-related approval and permission authorized by the LRC under the municipal BLR, XZ district government cannot provide CH company with

legitimate land use rights of the 117 mu urban state-owned land. CH company therefore, had to apply for relevant land-related approval by the LRC in 2011. Since the 2011 minimum land leasing price increased significantly from the 2010 minimum land leasing price (330 thousand RMB/mu), both of which were decided by the municipal LMF, CH company was informed that they were required to pay an updated minimum land leasing price. CH company refused to do so. XZ district government could not provide any help for CH company, because the LMF is made up by the top decision makers in city G, which means that it is under direct control of the municipality. Both parties refused to compromise for a long period. Up to 2014, the relevant administrative approval procedures and legal permissions have not proceeded.

In 2014, the municipality of city G finally reached a compromise to deal with XZ project's biggest remaining issue—relevant administrative approval and legal permission. From 2010 to 2014, the minimum land leasing unit price of the 117 mu urban construction land had risen from 330 thousand RMB to 1.1 million RMB. Since it is illegal to change this legal price fixed by the municipal LMF, the municipality compromised by promising that CH company may get full repayment for the part of the price that exceeds the original minimum land leasing price, if CH in return, agrees to pay for the current legal fees—1.1 million RMB/mu—in order to bypass legal restriction, so that the municipal LRC can proceed relevant land-related administrative approval and legal permission for the 117 mu urban construction land. Consequently, CH company only needed to pay the original minimum land leasing price—330 thousand/mu, which was set four years ago. The excessive part of land leasing fee ( $1100000 \times 117 - 330000 \times 117 = 90$  million RMB) will be informally reimbursed by the XZ district government and the municipality in a name of supporting the “financing gap in constructing relocation housing” for XZ project. Through this strategy, CH company finally acquired the legitimate land use right of the 117 mu urban construction land where both the relocation housing and real estate commodity housing have already been built-up on. The 9 mu rural collective land

however, continues to lack legal permission for rural land use. The state-private joint venture thus achieved its original goal of “appropriately relocating the evicted residents” as the potential risk of lacking legal permission of relocation housing was diminished. The following timeline summarizes the processes, objectives, reasons, and results of all the events happened around XZ project from 2009 to 2014.

### **Timeline Summary: the chronology of events in the process of XZ project**

#### **Stage 1: Land expropriation and housing demolition**

Year	Events	Objectives	Results
2009	Land expropriation & housing demolition for “1 <sup>st</sup> round relocation”	Provide sufficient land space for the relocation site of XZ project	Total area of 117 mu rural collective land has been converted into urban state-owned construction land
2009	Land expropriation for “2nd-round relocation”	Relocate the evicted rural residents suffered from the 117 mu rural land expropriation.	9 mu rural collective land has been drawn out as another designated site to relocate the small group of evicted rural residents

A total area of 126 mu of rural land that was expropriated by XZ district governments to relocate the evicted rural and urban residents after the making of stage 1.

#### **Stage 2: Funding the construction of relocation housing through land leasing**

Year	Events	Objectives	Results
Early 2010	The municipality of city G asked the municipal LRC to list the 117 mu on primary land market at a minimum land leasing price	In order to cover the government funding shortage for the cost of rural land expropriation and resident relocation	Still failed to attract any private developers at the beginning of 2010. The land leasing period expired two months later.
Late 2010	XZ district government initiated a bidding event	The municipality of city G allowed XZ district	XZ district government and CH real estate development company



	to encourage private investments in XZ project, by providing minimum land leasing price to investors.	government to adopt state-private joint venture to attract private funds to cover the funding shortage	signed the contract of collaborative relocation housing construction. Both parties reached agreements (See page 160 and page 161 for the specific clauses)
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### Stage 3. Breakdown of the state-private negotiation and the remedy

Year	Events	Reasons	Results
Early 2011	The municipality of city G did not allow the XZ district to provide the “minimum land leasing price” to CH company.	The minimum land leasing price in 2011 increased significantly from that in 2010. The municipality of city G wanted more land leasing incomes.	CH company was informed that they were required to pay an increased minimum land leasing price for the 117 mu urban land. CH company refused to do so. The 117 mu urban land have not proceeded administrative approval procedures and legal permissions.
Late 2011	The municipality of city G compromised to repay CH company for the part of the price that exceeds the original minimum land leasing price in 2010.	The minimum land leasing price had tripled from 2010 to 2014. CH company would never agree if government insists on demanding the current price.	CH company finally acquired the legitimate land use right of the 117 mu urban construction land where both the relocation housing and real estate commodity housing have already been built-up on. The 9 mu rural collective land however, continues to lack legal permission for rural land use.

After the disagreement between government and private sector has been resolved, the municipality and XZ district government began to dispute over the issue of to what extent each of them should pay the promised amount for “the excessive part of land

leasing fee”—90 million RMB— that is to be repaid to CH company. Their dispute was largely based on their previous controversy over the land expropriation cost spent on the whole process of rural collective land expropriation and consequential demolition and compensation, which were implemented by XZ district government in 2009. The reason was that an official investigation conducted by the municipal MOR on behalf of the municipality in 2014 revealed some data and information which differed from the data and information reported by XZ district government in many aspects of XZ project, including the demolished area of the relevant buildings and the construction area of the relocation housing. These different data and information are listed in table 5.2. Apart from the similarly reported information and data which are much more likely to be authentic, it is difficult to judge which side described the facts and which specific item is an inaccurate representation. Because it is possible for both sides to provide inaccurate information divergent from the real facts due to their respective political concerns.

**Table 5.2 All about the XZ project through state-private joint venture: land expropriation, demolition, residential relation, and financial status**

	Data reported by XZ district government	Data verified by the MOR of the municipality	Remarks
No. of households of the evicted rural residents / urban residents suffered by XZ project	51 rural households; 868 urban households	51 rural households; 508 urban households	“508 urban households” is the authentic data based on police’s verification
Area of the rural collective land expropriated for residential relocation in XZ project (unit: mu)	126 (61+50+6+9)	126 (61+50+6+9)	Authentic information. The total area comprises 117 mu land for the relocation site of XZ project and 9 land mu for “second-round relocation”
Demolished area of the buildings previously occupied by the evicted rural residents / urban residents (unit: sq.m)	23600 for rural residents; 58600 for urban residents	7826 for rural residents; 29199 for urban residents	The municipal MOR verified that the demolished area negotiated between the XZ district G and evicted residents was significantly smaller than the area reported by the XZ district G

Land area practically used for relocating the evicted rural / urban residents (unit: mu)	15(6+9) for rural residents 50 for urban residents	15(6+9) for rural residents 50 for urban residents	The municipality thought the XZ project did not need to use such a large land area to relocating rural and urban residents since the demolished area reported by MOR is much smaller than the area reported by XZ district G
Land area actually needed for relocating the evicted rural / urban residents (unit: mu)	No report	6.5 for rural residents; 24.3 for urban residents	
Construction of the relocation housing for evicted rural residents	2 buildings with a total area of 11200 sq.m	2 buildings containing 84 apartments with a total area of 11200 sq.m	Authentic information except for the little contrast in total area of the overall relocation apartments for urban residents
Construction of the relocation housing for evicted urban residents	14 buildings with a total area of 56000 sq.m	14 buildings containing 570 apartments with a total area of 58100 sq.m	
Income and expenditure of the village Teadquarters in initiating the XZ project through state-private joint venture with CH company (unit: RMB)	(1) Funds in hand: 6.6 million (2) Project income: 201 million (3) Project expenditure: 187 million (4) Surplus funds= (1)+(2) - (3)= 30.6 million	(1) Funds in hand: 6.6 million (2) Project income: 261 million (3) Project expenditure: 202 million (4) Surplus funds= (1)+(2) - (3)= 65.6 million	No evidences to judge; Main income and expenditure items (e.g. government grants; relocation construction fee) are consistent; Differences manifest in the items of “other receivables” and “other payables”, which are miscellaneous

A specific area can be easily overlooked is the 9 mu rural collective land that was separated and used for the “second-round relocation”. All of the evicted rural residents suffered from the 117 mu rural land expropriation and consequential demolition come from the same single village—village BT. Since the responsibility in constructing relocation housing for the evicted rural residents from village BT was not included in the agreement clauses described in previous sections, it was not paid for by CH company. Instead, the problem of relocation housing construction was resolved by XZ district government through a “top-down contracting process”. Through using part of the relevant compensation fund (which had been included in the land expropriation cost allocated by the municipality) as relocation subsidy, XZ district government issued a very attractive contract with a few local village cadres governing village BT. This contract enabled the village cadres to take the construction job of the relocation housing for the evicted rural residents from village BT. For these local

cadres, the construction cost of this relocation housing was very likely to be low because they can easily find under-qualified construction agencies through their strong local connection network. The profit generated from this construction job was thought to be high since they were allowed to sell the excessive apartments to outsiders including anyone who want to buy these apartments, regardless that all of this relocation housing lacked relevant legal permission for rural land use as well as the property ownership certificate.

To summarize, the significance of XZ project reflects in its multi-dimensional nature in demonstrating nearly all the intended researched issues under this study. As mentioned earlier, XZ project was initiated to cope with the residential relocation affairs caused by roadside-area development of the city trunk-road. This project is not directly related to a property-centered economic development approach, especially commercial property development. Because of the specific approach of state-private joint venture on residential relocation however, XZ project actually involves a large-scaled real estate development project of commodity housing which has been very influential in the municipal context. There have already been many interesting issues to be explored only in terms of the process of that commodity housing project. More importantly, XZ project demonstrates a complicated land development landscape featuring not only a juxtaposed scene of rural collective land (9 mu) and urban construction land (117 mu), but also a specific designated relocation site comprised of residential relocation houses built for both evicted rural and urban residents. XZ project even involves a complicated scenario of “second-round relocation” in which the evicted residents suffered from clearance of a designated relocation site need to be relocated in another place. These diverse involvements can contribute to the representativeness of XZ project in describing a general map of land-centered urban development and residential relocation in local China. Moreover, the specific type of state-private joint venture emerged in the process of XZ project has already become a common approach conducted by municipalities and governments in many other places. To explore more deeply, this state-private joint

venture has been significantly related to the municipality's strategies to offset government expenditure in land expropriation cost, which can be regarded as part of the municipality's overall plan of land-centered financialization. These constitute the reasons why XZ project is selected as the specific case of this study.

#### ***5.4.3 Top-down resettlement process as a benefit sharing event among local residents***

##### ***(1) Clarification of the three involved residential communities and their respective relocation statuses***

As mentioned earlier, three distinct communities of evicted local residents were involved in the process of XZ project. The first community comprises 508 households of urban residents who previously lived in the roadside areas of the part of the city trunk road in XZ district. They are now relocated in XQ relocation community made up by 14 buildings comprising 570 apartments, all of which were constructed by CH company through the state-private joint venture. XQ relocation community has been located within the specific relocation site designated by the municipality and municipal UPB, which is in the peri-inner city area at the front-line of municipal urban expansion of city G. This designated relocation site covers a total area of 117 mu urban construction land, of which 61 mu (see land parcel 2 in the following geographic guide) has been used for real estate development in form of commodity housing built-ups developed by CH company. XQ relocation community occupies another 50 mu land of the designated relocation site and was geographically located side-by-side with the real estate project developed by CH company (see Figure 1 and relocated community A in the following geographic guide). The nature of the 50 mu urban construction land is state-granted land that can be used for land use right transaction (or land conveyance), so all the 570 apartments owned by these urban residents can be transacted in a legitimate way.



**Figure 1. The appearance of XQ relocation community (right side) and the related real estate development project (left side)**

The second community of evicted local residents comprises 15 households of rural residents belonging to village YP that had suffered from the rural land expropriation for roadside development of the city trunk-road in XZ district. They are now relocated in a small yard comprises of 2 buildings (see Figure 2) and 84 apartments with a total area of 11200 sq.m, all of which were also constructed by CH company through the same state-private joint venture. A substantial part of the relocation apartments had been sold from the villagers to outside buyers because the number of apartments far exceeds the residential needs of villagers. This yard occupies the remaining 6 mu urban construction land of the 117 mu relocation site. The location of this community adjacent to the commodity housing project built by CH company.



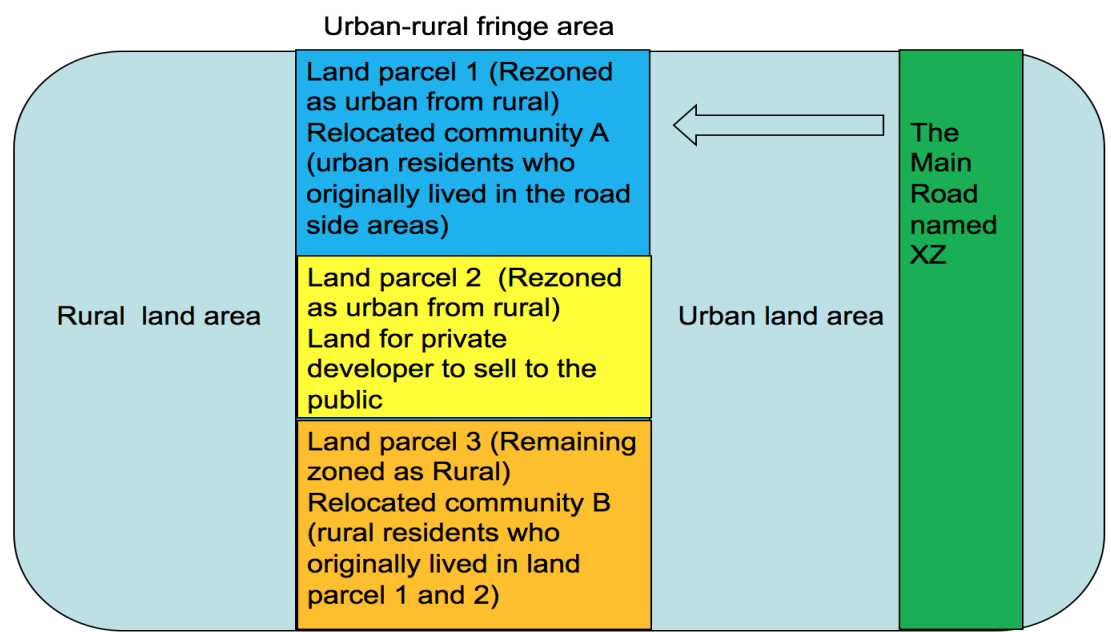
**Figure 2. The relocation communities built for village BT (the last three buildings) and village YP (the two front buildings)**

The last community comprised 26 households of rural residents come from the village BT that had experienced land expropriation of the correspondent 117 mu rural collective land (now they are urban state-owned construction land) for the designated relocation site in XZ project. They are now relocated in another yard comprised of 3 buildings and 126 apartments (see Figure 2), all of which were also constructed by the village cadres of the village BT, rather than CH company. This yard has been regarded as another relocation site, which occupies 9 mu rural collective land not far from the designated relocation site of the 117 mu land (see relocated community B in the following geographic guide). Unlike the relocation situation in village YP, only a small part of the 126 apartments were sold to outside people who do not know relevant stories and inside affairs about how the villagers and villager cadres set up strategies to negotiate with government bodies when rural land expropriation and consequential demolition activities several years ago. Thus the researcher was able to find qualified informants for in-depth interview. Relevant transactions of these apartments are not legitimate as the nature of the 9 mu land is rural collective land and all 3 buildings consisting of 126 apartments are unauthorized buildings and houses with limited property ownership (*xiao chan quan fang*). There remain however, many buyers interested in buying these apartments through private deals because of the relevantly cheap price and the availability of transforming an illegal apartment into a legal one through paying some land-related fees after they bought it.

The political structure of village BT needs to be introduced before entering into the following part of representation of data analyzing results. Since the political structure of a normal village consists of merely two levels of administration-village and group, local village cadres can be divided into village-level cadre and group-level cadre. Village-level cadres include village head, village Party secretary, deputy village head, and other positions. They constitute the top authority of rural grassroots government that receive direct leadership from street-government offices rather than township government as village BT is located in an urban fringe area within the sphere the jurisdiction of XZ district government. The rural grassroots government of village

BT comprises of 10 small groups under its administration, each group has several group-level cadres and around ten rural households. An unwritten and conventional rule for the relocation event of rural residents in city G is that the privileged job of constructing the relocation housing should be given to people from the relevant group that governs the rural households need for relocation. According to this rule, group-level cadres in charge of group 2 and group 3 should gain this job because all the 26 households of rural residents relocated from their previous rural houses because of the rural land expropriation of the 117 mu land come from either group 2 or group 3.

**A geographic guide showing the locations of the relocation communities involved in XZ project**



***(2) Data analyzing results***

Based on several rounds of review and selection on the initial codes, a group of principal themes were raised in order to group their respective sub-themes in a meaningful way. The connections between a principal theme and its sub-themes are built based on the researcher’s understanding towards the transcript. The principal themes generated from the narratives of rural households do not completely conform to those from urban households, and vice versa. The following section therefore,



focuses on specific constitutions of these principal themes for both the community of evicted rural villagers relocated in the 9 mu rural collective land, and the community of evicted urban residents relocated in the 50 mu urban construction land.

Set I. General topic: How did the top-down relocation initiatives evolve into a benefit-sharing event for relevant village cadres and the 26 households of evicted rural villagers.

Theme 1. The privileged job & balancing different interests

In the municipal context, any events of rural land expropriation, building demolition, and residential relocation must pass through the compensation-negotiating process between compensator (can be either government or real estate developer) and relevant rural residents who often submit to village and group-level cadres and other influential villagers. In order to relocate these rural residents, the compensator need to persuade these powerful villagers through specific invisible measures because ordinary rural residents would be angry if the compensator provide these powerful villagers with visible excessive compensations such as larger allocations. It has become; therefore, common for compensators to provide powerful villagers with a series of privileged jobs centered on construction work, so that powerful villagers can be satisfied and ordinary villagers normally will know little about their internal deals. In many different cases in city G, this privileged job is constructing the relocation housing.

The selection of the contractor who is appointed to the task of constructing the relocation housing for the evicted rural residents is not determined by a single authority. It is determined by a series of considerable factors centered in a way that can balance different interests of relevant stakeholders in village BT. These stakeholders include the village-level cadres, the group-level cadres in group 2 and group 3, and the rural households in group 2 and group 3. The factors for consideration are identified by the both of the ordinary rural residents and 3

purposively-selected village cadres including the village head and two relevant group-level cadres. These factors and their respective minimum requirements are listed in the two columns at the left side of the table below (see table 5.3). The right side of the table illustrates relevant qualifications of the person who was finally selected as the contractor. This table provides a comprehensive and explicit explanation towards why a group-level cadre in group 4, rather than the group-level cadres in group 2, or group 3, is selected to undertake the privileged job.

**Table 5.3 Factors, expectations, and qualifications in determining who get the privileged job**

	Minimum requirements & expectations	Qualifications of the person selected for the job
Personal backgrounds	People from village BT; Have experiences, resources, and connections in construction industry; Have economic capabilities.	Group-level cadre of the group 4 in village BT; A close relative of the village head of village BT (can share benefits with villager-level cadres); Used to be labor contractor before and familiar with construction industry; Capable of paying the cost of relocation construction
Interpersonal connections	Capable of balancing conflicts and controversies for the privileged job;  Good reputations and personal influences in village BT;	Have food relationship with group-level cadres of group 2 and group 3 and willing to share relevant profits to cadres of group 2 and group 3 (so that the final selection of this person become both emotionally and economically acceptable for these group-level cadres ); Opinion leader in villager BT; Recognized by most ordinary villagers (can guarantee deserved benefits for ordinary villagers in group 2 and group)

## Theme 2. Opportunities of high-profit selling and satisfactory benefit-sharing

- Very low cost of relocation housing construction.
- The contractor who is appointed to the privileged task and his relatives receive the highest profits, then comes other village cadres, and ordinary villagers get the least. But the profit cake is big enough to satisfy every evicted rural household. The ordinary villagers do not know the exact and how much profit has been taken

by local villager cadres.

- Low selling price to ordinary villagers in group 2 and group 3; These villagers need to buy the part of area exceeds the compensation standard. Each of the 26 households finally acquired at least 3 apartments, at most 9 apartments.
- High selling price to outsider people. In this process, the seller can be either the contractor of the privileged job or the ordinary villagers in group 2 and group 3. All of these apartments do not have property ownership certificate, but can still be sold because the selling price is never high enough to compare to other apartments with similar nature. Large profits can be made by the seller. People outside the village know little about the inside stories in how the villagers and village cadres set up strategies to negotiate with government bodies.

#### Theme 3. Main conflicts between compensator and evicted villagers

- Whether or not the area of unapproved rural houses should be calculated into compensation area. Some villagers built unapproved houses for profit-making while others built unapproved houses for residential needs because of increased family members. It is difficult to differentiate these two types of purposes in practices but in both cases. Villagers expect compensation of unapproved rural houses but compensator may not agree.
- Whether or not other various advantage-taking attempts and additional conditions raised by evicted villagers can be satisfied by compensator.
- The practical compensation received by evicted villagers sometimes can be cut by low-leveled grassroots government sectors, which can make the villagers rebel.
- Inconsistent compensation practices among different villages, or even within the same village. This can make relevant villagers compete against each other and refuse to compromise if specific compensation fails to meet any higher compensation received by other people.

#### Theme 4. Things evicted villagers care about in relocation

- Whether or not the compensation meets their minimum requirements, which are

often variable and determined by specific household family backgrounds, household income status, and the number of household members.

- Whether or not the compensated items can bring them immediate advantages, or profit-making opportunity if they agree to move. (This is actually up to two determinants: 1. To what extent does the market value of the compensated apartment exceed the value of their previous rural houses; and 2. Whether or not the compensated apartment can be sold)
- Taking various advantages from compensation and relocation as many as possible.
- In-situ relocation. It would be unacceptable for the villagers if the geographic location of relocation site is far way from their village and familiar residential community.

#### Theme 5. Strategies and countermeasures adopted by both sides

##### Ordinary villagers:

- Building unapproved rural houses and extra residential areas without legal permission.
- Certain villagers often ask their family members (aged of 18 or above) to get married for the purpose of claiming extra housing compensation allowance. The rationale is that getting marriage can bring in a separated household quota which can be regarded a legitimate reason to claim extra housing compensation allowance.
- Inquiring about compensation standards and practices in other places of the city.
- Pretending to be tough, uncompromising, non-negotiable, or even become “nail households” regardless of any threats.
- Stalling on negotiation to prolong accounting and bargaining processes.

##### The compensator (government or private sector)

- Using village-level and group-level cadres to persuade evicted residents.
- Few uncompromising and pushing strategies since they are of little use.

#### Theme 6. Ideologies and characteristics of evicted villagers

- Care about individual and family dignity, reputation, and “face”, and tend to attach to people with solid prestige and reputation.
- Money worshipers and materialists.
- Typical peasant thoughts—taking advantage on any possible area.
- Conservative and worried about possible life style changes.
- Proud of being difficult and tough and are not afraid of uncompromising measures.

#### Theme 7. Role of village cadres and representatives

##### Village-level cadres:

- Mediator between compensator (government or private sectors) and evicted residents.
- Implementing top-down relocation tasks through compensation policy propaganda, persuasion, and mediation.
- Balancing interests of and conflicts among different village groups.
- Launching special assemblies to calculate for specific compensations deserved by residents.
- Harmonizing possible contradictions and conflicts.

##### Group-level cadres:

- Consider both top-down relocation imperatives and the benefits and interests of ordinary villagers.
- Will help to strive for villager’s benefits but in a compromised way.
- The role is between village-level cadres and villager representatives.

##### Villager representatives

- Only consider the benefits and interests of the group of households he or she represents

#### Theme 8. Post-relocation life

- Satisfied with the compensation and the distribution and quality of relocation housing.

- No prominent life style changes. Women and old people enjoy leisure activities or work on agricultural activities, while Young and mid-aged people tend to go out for profitable business.
- Familiar living community, environment, and neighborhoods.
- Young and mid-aged people are capable of using private cars.

Set II. General topic: How did the top-down implementation of residential resettlement evolve into a benefit-calculating event in the relocation community of the 50 evicted urban residents.

#### Theme 1. Unexpected relocation cost

- Unexpected large expenditure in apartment decoration because of the long “transition period” in which decoration price increased.
- Unexpected expenditure in furniture purchase.
- Lumber rooms become more valuable and expensive than ordinary apartments in the relocation community, which can be brought for running retail business and leisure activities.
- Unexpected length of “transition period” of temporary resettlement.

#### Theme 2. Uneven benefit-sharing

- Inconsistent distribution of apartments with different orientations and floors despite consistent compensation. (relocation area exchange for same demolished area but excessive part of area charges)
- Some residents’ apartments are picked through random draw, while others gain a privilege of free selection rather than participating in the random draw.
- People who engaged in activist group or “guanxi” backgrounds can receive this privilege, while ordinary urban residents can only participate in the random draw.
- Non-transparent apartment distribution process.

### Theme 3. Main conflicts in relocation

#### Conflicts between compensator and urban residents

- Whether or not to compensate for the unapproved houses and extra residential areas that are not deliberately built for compensation.
- Whether or not specific household of these urban residents can be directly persuaded by the compensator.
- Conflicts among urban residents relocated in the same community
- Conflicts between groups of people with and without the privilege of selecting apartments.

### Theme 4. Issues of concern to evicted residents

- Low household income VS. hard-to-afford unexpected expenditures of relocation cost.
- Different floors and orientations based on different apartment type rather than relevantly consistent compensation standard centered on apartment area of resettlement housing.
- Quality of relocation building, environment and geographic location of relocation community.
- Suffer from economic losses because of relocation—move and get poor.

### Theme 5. Strategies and countermeasures adopted by both parties

#### Urban residents

- Inquiring about compensation standards, practices, and negotiation strategies from persons who have previous experiences.
- Engage in activist group if they strongly disagree with compensation and relocation.
- Split into differentiated groups and lack collective efforts.

#### Compensator (government & private developer)

- Compromise with difficult people from activist group.

- Adopt uncompromising and pushing strategies to cope with people who are easily persuaded

#### Theme 6. Ideologies and characteristics of evicted villagers

- Tend to avoid possible conflicts, afraid of uncompromising and pushing strategies.
- Tend to tolerate suffering from losses.
- Being compliant and have little rebellion consciousness against government behavior.
- Know the benefits of being difficult and tough but remain helpless.

#### Theme 7. Role of the activist group

- Only strive for the benefits and interests of its group members through engaging in the processes compensation negotiation and apartment distribution.
- Negotiating with compensator in a compromised way.
- Dominant in apartment distribution.

#### Theme 8. Post-relocation life

- Satisfied with the improved living environment of relocation site but dissatisfied with their apartments.
- Many people make their livings through retail business and other low-income jobs.
- No prominent life style changes. Women and old people enjoy leisure activities, most young people go out for study and work.
- Familiar living community and neighborhoods.
- Few households are capable of using private cars.

### ***(3) Interpreting the main themes***

The main body of this part is occupied by the participants' narratives centering on the



comparisons between the evicted urban residents in XQ community and the evicted rural residents in village BT. All the narratives, comments, and statements presented by interview participants were clustered into themes with observations from the researcher. Each main theme has been elaborated as follows.

### **5.1 Benefit sharing of demolition-compensation: relocation housing distribution**

The theme of benefit-sharing relates to specific compensation approach and items received by the evicted residents during the project-based demolition-negotiating process. The demolition-compensation items received by both the urban and rural evicted residents were centered on government provisions of relocation housing, which can be regarded as a typical approach of in-kind compensation in China's urban development practices. Even the legal system in city G has regulated that all the municipal in-kind compensation practices should adopt the 1:1 demolition-to-compensation replacement ratio, the phenomenon of sophisticated and uneven distribution of relocation apartments still exist in both Village BT and XQ community. As noted by the following two participants:

Evicted rural resident A in village BT: Each of the evicted rural households in our village at least obtained 5 or 6 relocation apartments, some have even received 8 to 10 such relocation apartments. Our village group 3 includes 6 evicted households, among them, the household benefited the least received 5 relocation apartments whereas the household benefited the most receive 8. [...] I am not clear about the redistribution process of the relocation apartments. I do not have much to say about it.

Evicted urban resident B in XQ community: I just want to say about the issues of relocation housing distribution. The problem is too serious. Generally speaking, those who have been resettled in 5th floors or above in this XQ relocation community are people who were not privileged by social connections in relocation housing distribution. They become the victims. The difference between inferior, normal and superior relocation apartments here is mainly based on different floors rather than different apartment type.

Interview participants unanimously stated that the specific arrangements of relocation apartment distribution in both communities were dependent on two variables: one is open-door transparent agreements negotiated between specific community group of

resident stakeholders and the compensator. Even many interview participants complained about the sophisticated and uneven practices of relocation apartment distribution, there remains a consistent and transparent compensation standard, especially for the evicted urban residents. This compensation standard refers to the 1:1 demolition-to-relocation replacement ratio. As this evicted urban resident related:

[...] There has been nothing sophisticated about the arrangements of the area and type of relocation apartment. Every evicted household has been compensated the relocated area that is equal to their previous living places. This has been regulated in the contracts. It is impossible for people to play deep games in this aspect. There are six types of relocation apartments in XQ community, each type contains different residential area. People have to pay extra fees if they want to change their relocation apartments for a bigger one. I am perfectly OK with that.

## **5.2 Privileged residents**

Another variable that can influence the arrangements of relocation apartment distribution was personal resources of the evicted residents involved. In both cases, the evicted residents who have strong personal resources eventually become the privileged residents who received better compensation or relocation arrangements. Personal resources mainly refer to personal “backgrounds” and “connections”, both of which are interdependent. For instance, “backgrounds” mainly include intra-community social status (like village cadres and village group cadres) and identity of negotiators and resident representatives. For the evicted residents in both XQ community and village BT, owning such “backgrounds” was based on the premise of having strong family connections and community social ties.

For the privileged residents in XQ community, their relocation-compensation treatments outweighed those received by other evicted residents in the same community. The following two participant’s statements reveal that in XQ community, there were evicted urban residents who obtained extra benefits and privileges through being resident representatives and negotiators.

I was hoping to move into 3<sup>rd</sup> floor here because I lived in 3<sup>rd</sup> floor prior to this

demolition-relocation event, but according to the relocation contract, every evicted household has to pick up relocation apartment by drawing lots. At the end, I have drawn an apartment at 5<sup>th</sup> floor. Nevertheless, some people signed relocation contracts differed to ours. They have been assigned those relocation apartments with specific floors that are all the superior ones including 2<sup>nd</sup> floor, 3<sup>rd</sup> floor, and 4<sup>th</sup> floor. Since all of us belong to the same relocation community, I did not understand why we signed different relocation contracts. Then I found that a substantial part of them were the members of the “Activist Group”. They become the beneficiaries because of that. People in this community won’t believe in the “Activist Group” anymore.

A majority of us lived in one-floor houses before being relocated here. Now it becomes impossible for these families to still live in first floor of building in this relocation community, somebody has to live upstairs. Therefore, different floors of relocation apartments were distributed to each household by drawing lots. This building contains 35 relocation apartments, so it had to be 35 lots emerged simultaneously in the drawing process if the relocation apartment distribution is fair and transparent. [...] In total, there were eventually 13 relocation apartments that have not been picked out by anyone. All these apartments were prepared for others. We were stupid to believe in such policy. At that time, only 25 evicted resident households emerged in the site of drawing-lots. Obviously, the other 13 households of evicted residents who did not come obtained privileges through their social connections. This is so clear that we all know about it.

The participant subsequently reported that the evicted urban residents who were privileged in receiving relocation apartment distribution also have other types of “backgrounds”. As she explained:

[...] These “guanxihu” (people who have special connections) were those who either bribed the relevant officials or have family members and relatives who know people from street office or district government. This is unacceptable for us.

For the privileged rural residents in village BT, the process of how they received extra compensation benefits is very different from the situation in XQ community. The range of privileged rural residents extends to those villagers who did not have strong political “backgrounds” but were able to obtain extra compensation properties either through money or negotiation strategies. There had been limits for external buyers other than the villagers to buy the relocation apartments in village BT, so some rich rural families in village BT used their identity privilege to buy and resell the

relocation apartments to make huge profits. An old villager described how his family did this business:

I have two sons, both of them have married. Each of my son have obtained 9 relocation apartments, I have another one, so my family owned 19 relocation apartments in total after relocation. Before the demolition-compensation event, my family had three rural flats in that demolition area, each of the three rural flats had two floors. As the compensation for demolishing these rural flats, my family obtained three relocation apartments, the other 16 relocation apartments were bought by my sons at a low price that is much cheaper than the price for “external buyers”. Then, we have earned hundreds of thousands RMB through selling the 16 relocation apartments.

This evicted rural family had strong economic power to invest in relocation housing to realize family wealth soar, because the father’s two sons are private developers who have business in the city. It should be noted that the family economic conditions of all the evicted residents in village BT were heterogeneous. According to one of the key village cadres, about 30% percent of ordinary evicted villagers bought extra relocation housing apartments, but most of these affluent rural residents were only able to buy no more than 5 apartments.

Compared to those ordinary residents who become the privileged residents through investment strategies, the local cadres in Village BT profiteered in a more sophisticated way. There was a powerful family of village cadres who dominated in the construction process of relocation housing in XQ community. These people controlled the whole compensation benefit-sharing process and left the biggest portion of profits to themselves. The background of this powerful family is a sensitive topic that few interview participants discussed during the interview period. The following participant, who has a big name in Village BT, roughly explained the backgrounds of this family of village cadres:

[...] I only know that the villager head has contracted the construction job of this relocation housing (Village BT) to his nephew who is a foreman. To build this relocation housing, he only spent a construction cost of around 600 per square

meter, but the selling price is above 1000 per square meter at the beginning of its completion. Now it can be sold at above 2000 per square meter.

This participant went to elaborate the detailed reasons why the village head's nephew has been chosen to obtain such a privileged job in the benefit-sharing process:

[...] when local governments intend to expropriate a parcel of rural land here, it is quite usual for them to confront protests from the villagers as tough and powerful villager representatives will often come forward to bargain on behalf of other villagers. Government need to satisfy these powerful villager representatives, but it is impossible for government to directly compensate more money or relocation apartments to them because this way (of bribery) is too "evident". The extra benefits for villager cadres can be easily found by other ordinary villagers, and they will not accept that. Therefore, in order to pacify the powerful villagers, government has to adopt invisible compensation approach to give them extra benefits indirectly, such as the provisions of privileged jobs of facility construction or a series of ancillary construction works like building walls or digging ditches. [...] So the village head gave the privileged job of constructing relocation housing to someone selected by the villagers from group 2 and group 3 who become evicted rural residents because of the Village BT. The villager representatives from these two group competed for this job because they know exactly that the profits could be remarkable. Since they totally disagreed with each other and did not tend to compromise at all, the decision cannot be made. Then, many ordinary villagers and other village cadres decided to find someone who is acceptable for both of the two groups of villagers. The connections between the village head's nephew and the village group cadres in group 2 and group 3 is not bad. He also has good connections with other village cadres here. Most importantly, he is not someone else who does not belong to our village. Because of all these reasons, he has been chosen to undertake the construction work of the relocation housing.

When asked if there were other candidates who competed for the privileged job, the participant responded that the village head's nephew is a perfect choice and it is impossible to find someone else who was more appropriate than him. The participant emphasized that the key consideration factor in deciding who was the most appropriate person to take the privileged job is the candidate's personal influence and capacity in balancing the interests of different stakeholder groups of villagers as. In this regard, the villager's head's nephew has unique advantage, according to the following summary of the participant's related elaborations.

The connections between the village head's nephew and the village group cadres in group 2 and group 3 is not bad, so they can accept him as the candidate;  
He is a village group cadre of group 4;  
He also has good connections with other village cadres here (in Village BT). Of course, he has strong family background in the village;  
He has rich experienced in that industry (construction job-work) and has good reputation in the industry circle;  
He also has a construction team who were ready to do that job, and people believed that thus he was able to save construction cost;  
He is not someone who does not belong to our village, and he has been well accepted and recognized by ordinary villagers;

### **5.3 Compensation-negotiation: divergences, conflicts and complexities**

The process of negotiation and bargaining arose as the most prevalent way of interaction between the evicted residents and local governments in both Village BT and XQ community. This is largely due to the inherent tendency of divergence between residents and governments in terms of not only calculating compensation but also perceiving the effects and consequences of resident relocation. According to the researchers' analysis on government documentations, from the perspective of the local government in city G, resident relocation and compensation brings about big financial burden for government budget, which can be seen as one of the most notable cost of the government business in "running the city". Therefore, municipal government in city G urged to tightly control the municipal general expenditure in resident relocation and compensation in order to save the total government expending. This is also the reason why government provide privileged policies to attract private funds to invest in the relocation housing in the case of XQ community. Grassroots government staffs' bygone corruption behavior is another important cause that resulted in insufficient relocation-compensation provisions. Even this phenomenon dose not happen as often as it did in the past, it remains a key reason leading to the divergences between government and evicted residents, as a participant elaborated:

Even the government policies towards demolition-compensation is good, thing always become complicated when the government policies were implemented by grassroots government bodies. Because the grassroots governments often

“choushui” (embezzling public compensation funds), municipal government’s compensation policies often cannot be fully implemented, and the actual amount of compensation received by evicted villagers become fewer and fewer. So there were more contradictions resulted from resident relocation and demolition-compensation. [...] These phenomena were prevalent in the past, so villagers often doubted about government financial transparency and the compensation items proposed by grassroots government. They speculated that they were fooled by grassroots government and there were better compensation policies from the top.

From the perspective of evicted residents, there were many kinds of difficulties brought by government initiatives of resident relocation, such as the concerns over increasing family size, livelihood, employment, and new living environment. With all these difficulties, the evicted residents’ expectation towards compensation become higher than the amount that the government wanted to afford. A village cadre in Village BT explained this phenomenon:

Each household has different family background, therefore, the evicted residents have different thoughts. I remembered the evicted household families who have two or more children, or have other relatives stayed in their houses, expressed a higher requirement towards resident relocation and compensation, some of these families stuck to the end until the compensation increased. So if the demolisher or compensator did not negotiate with them well, it would be easy to lead to tensions and conflicts. [...] It has been 20 years since rural residents were not allowed to build their new houses in a legal way. You can see there are many rural families who have two or three children, a large group of people living in the houses just more than 200 square meters. What can they do if building new houses is forbidden? So if you let them to buy, do you think they have enough capacity to buy new apartment in the city? [...] Some government officials always regard evicted residents as “obstinate people”. Of course, there are some “obstinate people” who insist on taking advantages, but most of people are willing to accept the policies arranged by government.

Besides, the determined pursuits of “self-seeking” and “extra-benefit maximization” were very prevalent among the interview participants, especially among the evicted rural residents in Village BT. The village cadre used the term “small peasant thought” to described villagers’ intent to obtain extra benefits from any resident relocation arrangement. As he related:

For the evicted rural residents, seeking maximized profits from resident relocation and compensation is a common thought. Generally speaking, if all the villagers here are faced with demolition-compensation events, most of them will expect at least a compensation benefit more than 1: 1 demolition-to-relocation replacement ratio. In other words, villagers will accept a compensation and relocation arrangement only if they see extra benefits from it. If nothing can be gained, villagers here will never agree with a demolition-compensation arrangement. The “small peasant thought” is serious here, they were trying to find different excuses to claim extra resident areas needed for compensation, the more the better.

Sometimes it is very difficult to clearly identify the boundary between the evicted residents’ incentives of extra-benefits-seeking and their actual needs and concerns over uncertainties, which made the process of analyzing the behavioral incentives of evicted residents a very complicated job.

Based on the above analysis on both parties’ perspectives in compensation-negotiating process, I argued that the divergences between both parties were resulted from their conflicting incentives in urban redevelopment affairs. It become almost impossible to reconcile the divergence between residents and local governments in evaluating and calculating the actually needed amount of compensation. This divergence becomes the main cause behind various conflicts in the mutual bargaining processes in both Village BT and XQ community. However, the type of conflict varies between the two relocation communities. The tensions between the evicted rural residents and grassroots government in Village BT did not evolve into any collision accident that injured people. Villagers have seen many strangers around the village but nothing has happened, according to an ordinary evicted rural resident:

When the old houses were being demolished, there were a large group of strangers come around, but we did not afraid of them at all. Because we have so many people here, and we know that they just come to threaten people and would not get into fights. [...] We finally agreed to move because we accept satisfactory compensation terms, we were not threatened by those strangers.



Collision accident did not happen partly due to the actual purpose of mutual threatening and the close connections and solidarity among the villagers. The most important reason is that after several rounds of bargaining and mutual negotiation, the compensation conditions proposed by government were accepted by most of the the evicted rural residents in Village BT. Both parties agreed a deal. The reason why these evicted villagers agreed with government was explained by another village cadre:

Compared with other suburb villages, this time a most majority of our evicted villagers satisfied with the resident relocation and compensation. Because the conditions proposed by our villagers have been well responded during the negotiation process. Firstly, the compensated area of relocation housing did not decrease compared with the demolished area. Moreover, the relocation site is just nearby the demolished place, and there were extra compensatory payments prepared for them. Of course there were only two household families who refused to move, because their selfish motives were not satisfied. They stuck to the end when the real estate project started and ultimately took what they want. Their compensations were even more than ours, but we did not care about it.

The village cadre followed up on this, explaining in greater depth and subsequently pointed out that a fundamental factor that has caused the evicted villagers to agree with government is the opportunity to increase family wealth. Villagers learned from other similar demolition cases that even compensated area will never exceed demolished area in nominally legitimated approach, they can sell those resident apartments they received at a much higher price (around 2000 RMB per square meter) than the price of rural houses where they lived before the demolition event. As he stated:

Considered the fact that most of the evicted villagers either have been compensated several relocation apartments due to the large area of rural houses which were demolished, or have bought extra relocation apartments for property transaction purposes, it become feasible for them to double their family wealth. Therefore, at the end, people become willing to accept the relocation arrangement because of having the opportunity to make such a huge benefit. For the evicted villagers, “acceptance” is better than “satisfaction” in terms of describing their feelings toward resident relocation, because there is never a compensation term that can really satisfy them.

Compared with the evicted rural residents in Village BT, the evicted urban resident in

XQ community reported an averaging lower satisfaction towards relocation arrangement, which made the compensation-negotiating process much tougher than that in Village BT. This is mainly because the evicted urban residents' family wealth cannot be largely raised by the relocation arrangements. Even they received the same demolition-compensation standard with that for the evicted villagers in Village BT, the market price of the new relocation apartments does not exceed that of their old houses significantly. Moreover, there were few opportunities for the evicted urban residents to buy extra relocation apartments at extremely cheap prices for property transaction purposes, like what the evicted villagers did.

It can be deferred from the evicted urban residents' narratives that some of them have no choice but to accept the relocation arrangement after struggling with their own thoughts. Even part of the evicted urban residents in XQ community revealed varying degree of compromising attitudes to the compensator's arrangements, there were conflicts during the compensation-negotiating process, which involved "invisible hands" behind the complexity. One participant described the way of conflict thus:

When our old houses were being demolished, a group of young people come to our place to threaten those who neither did not joint that "activist group" nor refused to sign any relocation agreement. Both parties fought with each side twice. I saw many of those strangers looked very young, so I talked to one of them, saying that he is stupid to be asked by those people to fight here only for a little reward like two or three hundreds RMB. But nobody will help him if he killed someone here, he will be definitely put into prison and his future life will be destroyed in that way. There were a few of young people who listened to me, they just left. [...]

#### **5.4 Resident representatives as negotiators**

Based on the above discussions, prior to the relocation events, both of the two groups of evicted residents had divergences and rebellious emotions with the compensation and relocation arrangements. After the relocation processes, village BT has witnessed most of the evicted villagers eventually agreed with the compensator without notable complains and conflicts, whereas many evicted urban residents in XQ community

were not satisfied with the relocation and compensation arrangements and a notable conflict happened accordingly.

There are two reasons for the relatively generous compensation conditions received by the evicted rural residents in Village BT. Compared to the evicted urban residents involved in XQ community, the villagers received bigger relocation spaces as the compensation for the large areas of demolished rural houses they owned before the implementation of Village BT. By contrast, the evicted urban residents' demolished apartments were much smaller. The evicted rural residents also have another advantage which is more important in compensation-negotiating process. In terms of winning collective interests and enhancing community solidarity, their resident representative system is more productive than that of the evicted urban residents.

In order to negotiate with related grassroots governments as the demolisher in XQ community, several activists of the evicted urban residents in XQ community spontaneously formed an activist group in order to protect their own rights. The name of the activist group is "Staffs' Family". With many other activists joined in, this activist group was then officially recognized by government as the formal negotiator representing all evicted urban residents in XQ community during the compensation-bargaining process. But the problem is that all the members of the activist group were neither selected nor empowered by the evicted urban residents by their own ways of either close connection or family ties. They were thus not dedicated to represent other urban residents' voices, requirements, and interests, but only cared about their own interests. Therefore, many of the evicted residents in community XQ were unable to have their voices heard by the compensator. This partly explains why ordinary residents eventually received the relocation arrangements inferior to that for the activist group members. The self-seeking behaviors of these activist group members were criticized by many of other evicted residents. One of them stated:

The compensation standard for us conforms to the 1: 1 demolition-to-relocation

replacement ratio, however, because it was said that some other evicted people have been compensated more than this, many of our people become to disagree with the compensation standard and require more. I remembered those people who disagreed were invited to attend the meeting hold by the “Staffs’ family”, which is an activist group. [...] Finally, the group member of the “Staffs’ family” obtained better compensation than ours. They did not do any right-defending job for us, they just strove for their own interests.

Many of the interview participants in XQ community expressed their strong dissatisfactions and distrusts toward the sophisticated process of relocation housing distribution, in which the activist group members acquired better relocation arrangements than others through evading the public procedure of “drawing lots” for relocation housing distribution. Because of the above aspects of divergences between the activist group members and other residents, XQ community revealed low degree of solidarity and mutual trusts as a whole. There were few negotiation strategies developed by the evicted urban residents in collective form to deal with the compensator’s press, since the “Staff Family” was unwilling and unable to initiate any united power for the evicted public. As the resident representatives recognized by government, the group members of “Staffs’ Family” failed to take any public accountability in the negotiation process over demolition-compensation, they obtained the relocation privileges and thus agreed with the compensator, their “obedience behaviors” become the very examples set by the compensator to persuade other evicted urban residents.

[...] So the main problem is, our people were not of one heart, we were not united, and did not form any internal agreement before the demolition-relocation event. Some people compromised to the compensator easily, some others took their “haochu” (the extra benefits or bonus) and signed the contracts. Because there were people who agreed to sign the contracts, they adopted different measures to persuade those protesters to agree. If all of us were united and refuse to sign the contracts until they give us more compensation, they cannot do that demolition work.

It should be noted that all the related narratives above were not described by any group members from the “Staffs’ Family”. In order to represent the beneficiaries’ perspective towards XQ community’s relocation arrangement, a dialogue between a

group member of the activist group and the researcher has been selected as follows:

Participant: I am very satisfied with it. Compared with the SOE staffs' apartments, this relocation community has a much better living environment. The relocation apartment I live now has good quality, the apartment type and the floor are all good. The relocation apartment is bigger than the previous house, we paid for the extra areas. There is no problem because the price was not expensive for many people here. I was very pleased to spend the money. Who will be unhappy if his house gets bigger? We have a better life here, thanks to the government.

The researcher: So did you feel satisfied only after the relocation?

The participant: Nope.

The researcher: So why you feel satisfied before it happens and what were the reasons that make you to agree with the relocation arrangement before the demolition took place?

The participants: During the negotiation process, for me, the two most important points were living environment and the geographic site of relocation. The government promised a good community environment and convenient geographic site before the demolition- relocation event, they had a plan for that. At the beginning, I was hesitated to move, like many other people. But after consideration, I think this relocation project is an official one that involves hundreds of evicted residents, it is impossible for government to not to treat them well because government needs to "stabilize the overall situation", we need to trust government.

The selection process and organization form of resident representatives of the evicted villagers differed greatly from those of the evicted urban residents. There are three levels of resident representatives for the evicted villagers in village BT- villager representatives, group-leveled cadres, and village cadres. All of them were selected by villagers through a bottom-up approach. According to a group-leveled cadre's statements:

The ordinary villagers selected villager representatives based on private connections, personal trusts and family ties. Then, every rural family household asked a villager representative who they trusted to negotiate with group-leveled cadres. Villager representatives were responsible for conveying ordinary villagers' opinions, difficulties, concerns, and requirements to group-leveled cadres. Then, group-leveled cadres gathered all the grassroots public opinions and sent their representatives to report to village cadres through regular meetings. After village cadres understand what the ordinary villagers expect from demolition-compensation, they sent representatives to negotiate with related

government or private developers. After the villager cadre representative and the compensator reached the mutual agreements toward compensation, the village cadres organized a village regular meeting to explain the general compensation policy and relocation plan through a top-down approach. After the meeting, the villager cadre representatives accompanied with the grassroots government staffs went to each rural family to measure the specific residential areas that would be demolished, confirm compensation areas, and go through the details of compensation and relocation. [...]

When asked about to what extent the three-leveled organization form is able to reflect ordinary residents' voices toward relocation and compensation, the group-level cadre responded that different levels of negotiation representatives have different consideration focuses and representing classes. He stated:

I would say that the villager representatives and the group-level cadres were truly representing the interests and ideas of ordinary villagers. For example, my family name is Chen, I was selected by the Chen's family and all the family relatives, so I am definitely representing the interests of the Chen's family and I do not care about others. But when it comes to the level of village cadres, the things are different. Village cadres need to consider a lot of things, including balancing different interests of each village group. Also they have to accomplish the demolition tasks assigned by government. Being a village cadre is the most difficult thing, he needs to not only reconcile the upper-lower relation but also come into contact with all the villagers here, they are often faced with all the opinions and ideas of people, and these opinions and ideas were totally different. It is hard to please all.

The selection process and organization form of resident representatives are based on the political structure of Chinese rural village. The central power of village BT is controlled by village head, village Party secretary, and other village-level cadres who take charge in different areas. Under the top-level authority, there are 11 village groups, each group comprises ten rural family households, they were supervised by group-level cadres. All village and group-level cadres who participated the interviews stated that they played the role of resident representative during the negotiation process, their major task was mediating potential conflicts between villagers and the compensator. The representatives conveyed part of the ordinary villagers' voices to the grassroots government, which, successfully helped some villagers to strive for

what they wanted to be compensated for their demolished houses. As the village head stated:

We sent village cadres and villager representatives to meet with the street office for several times, they have earned some benefits for the ordinary villagers. When they come back, they brought this news to notify our evicted people. Most of villagers agreed to move, but there remain two household disagreed.

With the aim of ensuring smooth negotiation, on the other side, the representatives initiated public assemblies, private negotiations, and emotional persuasions to cope with villagers' disagreements and extra requirements. Compared with the resident representatives in XQ community, the representatives in village BT owned more community supports and earned more collective benefits for the whole community during the compensation-negotiating process.

### **5.5 Post-relocation life of evicted communities**

As discussed previously, the interview participants in village BT were satisfied with the compensation treatments and relocation arrangements they received, whereas many of the participants in XQ community complained about those things. Post-relocation life quality is another important factor that has caused this contrast apart from the reason of compensation differences. After consulting all the participants, the researcher has raised two dimensions to evaluate the post-relocation life quality of evicted residents- adaption to new environment and family economic condition.

All the participants in village BT fully accepted the relocation site arranged by government, according to majority of them, this is because the site locates nearby village BT where their demolished rural houses were built in, which bring them the familiar landscape environment, neighborhoods, and agricultural production and life style. There has been little prominent life change for the evicted villagers after demolition-relocation, especially for women and old people who have been enjoyed leisure time and light-hearted planting and breeding activities on a daily basis. The

only change is that young and mid-aged villagers tend to leave the village on daytime to do business and work in the city. Many of them often come back after work to stay overnight in their relocation apartments due to the short distance between village BT and the urban core. Considered all these positive feedbacks described by the participants in village BT, it can be concluded that they have fit in well with the new environment of post-relocation life.

Like the post-relocation lives of evicted rural residents in village BT, there has been little prominent life style changes for the evicted urban residents in XQ community after the demolition-relocation event in XQ community. Many of the mid-aged residents maintain their families through retail business, taxi business, and odd jobs. Women and old people still kill time by playing majiang and zipai (a Chinese traditional local card game). Most young people go out for study and work. Even the relocation site is away from the demolished community where these people lived in, they have the familiar neighborhoods who live together all along.

Unlike the evicted villagers involved in Village BT, the participants in XQ community reported heterogeneous attitudes toward the new environment of relocation community. The activist group members revealed full acceptances toward the location of relocation site, the community environment, and the type and constructive quality of their relocation apartments. Other mid-aged residents revealed basic acceptances toward the location of relocation site and the community environment, but they expressed dissatisfactions with their apartment type, floor, and orientation. Old residents did not care about the improved community environment, they complained strongly about the location of relocation site which is far away from their previous demolished community and any other daily-life changes resulted from the demolition-relocation, which brought them “bad feelings” in adapting to the new environment. As the following participant described:

This demolition event is a government behavior, so it is compulsory for us. Even



you were not willing to move, it is of no use, because you will be forced to move. [...] I remembered that at the beginning of demolition, nobody wanted to move here. The old proverb rightly says: people would be killed if they moved houses three times in life. We have bad feelings about relocation. No matter how luxury and well-decorated the new houses will be, they cannot be compared with my own house. Even my old house become the worst place, I still belong to there and do not want to move. It is just a kind of helpless. [...]

In terms of pre-post changes in family financial status, the evicted rural residents in village BT generally revealed better conditions than the evicted urban residents in XQ community. For the non-privileged rural residents, besides those adventures who take risk to adopt drastic measures to fight for more compensations, the rest of them received the 1: 1 demolition-to-relocation replacement standard which equals to that for the evicted urban residents. The only reason that made these rural villagers more willing to accept the relocation arrangement than the urban residents is the large area of demolished rural houses, which can be exchanged for several relocation apartments as the compensation properties exceeding their residential needs. The evicted urban residents in XQ community have not enjoyed such advantage considered the limited area of demolished urban apartments they owned.

Nevertheless, the implementation of Village BT has significantly enlarged the family wealth gap between the rich and the poor in village BT even the most disadvantaged evicted families received the compensation treatments that were acceptable for them. With the extra relocation housing properties, all the evicted rural residents in village BT were capable of making profits either through reselling housing properties or using extra relocation spaces for rental business, but the number of extra relocation housing properties received by the privileged villagers significantly outweighed those obtained by the non-privileged villagers. Until the field work ended up, nearly 20% of the relocation apartments for the villagers were still vacant and undecorated. These were the unsold apartments owned by the privileged villagers.

The family wealth differences among the evicted urban residents were not prominent

prior to the demolition event, and the little gap between the rich and the poor has not been widened by the implementation of XQ community. Compared with the other residents, the activist group members did receive privileges in gaining better relocation apartments in terms of apartment type, floor, and orientation, but this is unable to bring about great changes in family economic condition. Because even the privileged families in XQ community have not received several relocation apartments exceeding their residential needs. Besides, the relocation initiative of XQ community has largely increased the financial burden of new apartment decoration expenditures on the evicted urban residents. Many participants complained about decoration expenditures.

The relocation apartment type here changes a lot from that of the demolished houses which we lived before relocation. So the previous furniture can not be reused here, they were totally wasted. I needed to buy new furniture and decorate the new apartment, which took me a lot of money. In order to make a living here, I also bought two extra lumber rooms to do retail business. Overall, it took me more than 200 thousand Yuan to move here. This ran out of all my bank savings so I had to borrow money from my relatives and friends, which made me in debt as soon as I moved here [...].

Another participant pointed out the reasons for the unexpected spending in new apartment decoration thus:

Even we got compensated for all the demolished areas, the relocation process took us a lot of expenditures. Because we were not compensated for the furniture, daily-use facilities, and decorations of our previous houses. Many of the household furniture and items were damaged in transit. I remembered I spent 20 thousand Yuan for the decoration of my previous house, but only received thousands of Yuan as the compensation for decoration. [...] Many of us did not expect we had to spend at least 80 to 100 thousand Yuan to decorate our new apartments here. I think this is because we were temporarily resettled for 3 years before they built up the relocation housing here, the market price of indoor decoration increased during this period. Many of us become poorer after moving.

Generally, in terms of post-relocation life, the impacts of the resident relocation initiatives on the evicted urban and rural residents have been mediated by different

inherent attributes of evicted residents and their communities, including ages of residents, connection resources, family income statuses of evicted families, and community coherence and solidarity.

## **5.5 Municipal practices of land-centered financialization: the case of city G**

As mentioned in Chapter 4, the concept of “land-centered financialization” in this study consists of four different components, each of which contains a relatively stable and conventional institutional process that differs from each other. Based on relevant documentary data collected from city G, this section will demonstrate specific municipal practices and institutional settings in each of these four components, as well as the logical connections among them in order to explore the municipality’s overall plan in land-centered financialization. The process of data interpretation in this regard in the last section of this chapter will be based on the extent of divergence between the empirical data of relevant municipal practices reported in section and the conventional institutional processes and framework of land-centered financialization, which were identified in the last section of chapter 4.

### ***5.5.1 Component 1 and component 2: the municipal practices in three stages of land purchase & reserve system and the way to offset relevant government expenditure***

As presented in Chapter 4, the first component of land-centered financialization is an institutional process of rural-urban land appreciation through land purchase & reserve system conventionally, manipulated by municipal LRC under the LMC represents for specific municipality. The institutional process of land purchase & reserve system consists of three stages: land buying, land processing, and land selling. The second component of land-centered financialization refers to government expenditures in relocating and compensating evicted residents. Under a scenario of rural land

expropriation and consequential building demolition, these government expenditures can be regarded as land expropriation costs that are often funded by municipal governments in the land buying process of land purchase & reserve system. From this perspective, the first and second components of land-centered financialization are deeply involved with each other. The following section will; therefore, group these two components together for data description and case elaboration.

As with the conventional institutional setting of land purchase & reserve system, in city G, the municipal LRC under command of the LMC plays a major role in the municipal institutional processes of land processing and land selling. In terms of the land buying process however, centered on various types of land acquisition (including urban land retrieve and rural land expropriation), and at the expense of relocating and compensating evicted urban and rural residents, the four district governments under the municipality take part and play the implementor role instead of the municipal LRC. Another distinctive characteristic of the land purchase & reserve system in city G is that the functions of municipal LRC do not cover the duties of recovering and purchasing land use rights of urban-state owned land.

As mentioned previously, the municipality's practical expenditure on expropriation cost of rural collective land is based on specific amount of the estimated expropriation costs reported by the district governments together with relevant evaluation and examination conducted by the municipality and the consequential bargaining process between district governments and the municipality. Due to political restrictions, there is little comprehensive data demonstrating specific amount of land expropriation cost for many different urban development projects in city G. In this study; therefore, analysis of land expropriation cost can only refer to the case of XZ project. In the case, the XZ district government reported a total land expropriation cost of 185 million RMB. Nevertheless, the municipality only agreed part of the amount 152.3 million RMB. This is because the municipality knew that XZ district government could make extra-profits through charging evicted residents for the part of relocation area that

exceeds their demolished area.

Due to the lack of relevant data for other land expropriation events, it is difficult to judge to what extent the specific amount of land expropriation cost in XZ project represents the average level in city G. The expropriation cost-saving measures adopted in XZ project however, signifies the way the municipal governments in city G pass on their financial burdens of land expropriation cost produced in many different urban development projects to relevant private sectors. Through initiating state-private joint venture of residential relocation, the municipality leased part of the urban construction land used for residential relocation to CH company for real estate development. Through this measure the municipality earned back the 152.3 million RMB land expropriation cost that had been granted to XZ district government. Moreover, XZ district government gained a profit of 32.7 million RMB through selling the extra part of relocation housing apartments constructed by CH company, which was completely compensated for the shortage of the municipality's special grant that is to be spent on the land expropriation cost reported by XZ district government ( $185-152.3=32.7$  million RMB). Through these strategies and measures, in many different urban development projects in city G, the municipality's financial burden in affording land expropriation cost have been largely alleviated, and even totally diminished.

In the process of land processing, the municipal LRC in city G is in charge of receiving the rural collective land expropriated by district governments and applying for rural-urban land conversion through submitting stipulated land fees to provincial and national land authorities. This has completely conformed to the previously identified conventional function of municipal LRC. Stipulated land fees comprise many different items of fee charges. The bottom-up handover of stipulated land fees is seen as a municipal government expenditure in applying the approval for rural-urban land conversion, as a majority of these fee charge items is collected by provincial land authorities out of normal municipal jurisdiction. An internal document of the

municipal LRC revealed that only one item of stipulated land fees can be collected by the municipality of city G - farmland reclamation fee. The total amount of this item is already substantial (see table 5.4).

**Table 5.4 Annual amount of farmland reclamation fee collected by the municipality in city G**

	2009	2010	2011	2012	2013	Total
Farmland reclamation fee (unit: million RMB)	7.08	5.86	16.5	16.22	3.32	48.98

Source: the municipal LRC

In the municipal practices of land reserve & purchase system in city G, stipulated land fees have become another major aspect of the municipal government expenditure in terms of land-centered financialization ever since the land reserve & purchase system was established. For the single case of XZ project in which 310 mu rural land was expropriated for applying rural-urban land conversion, the total amount of stipulated land fees reached 11 million RMB, which is not at a high price compared to other development projects in city G.

The following table (see table 5.5) illustrates the municipal overall condition of yearly expense of stipulated land fees submitted by the LRC to relevant provincial land authority and the consequential annual rural land area subsequently approved by the provincial land authority for rural-urban land conversion in city G. It shows that the period from 2007 to 2013 demonstrated an increased trend in the annual stipulated land fees per mu despite the year 2010. Thus apart from land expropriation cost, the municipality in city G also need to pay another increasing cost expenditure in order to accumulate sufficient urban state-owned land which is considered as the key resources of land-centered financialization. As with the measures and strategies in saving land expropriation cost, a substantial part of these stipulated land fees were passed on by the municipality to private sectors engaged in the land selling process (land leasing

activities) that is to be discussed latter.

**Table 5.5 Annual areas of rural land approved for rural-urban land conversion and the stipulated land fees needed**

	2007	2008	2009	2010	2011	2012	2013	Total
Area of rural-urban land conversion (unit: mu)	6722	506	1025	5059	2745	2187	4143	22387
Stipulated land fees submitted by LRC (unit: million RMB)	188.9	22.1	76.2	166.6	153.8	164.3	434.2	1206.1
stipulated land fees per mu (units: thousand RBM/ mu)	27.89	43.68	74.34	32.93	56.03	75.13	104.80	

Source: the municipal LRC

Nevertheless, the researcher was told by the director of the municipal MOR that the municipal LRC in city G often suffer from financial difficulties in collecting sufficient stipulate land fees submitted for the approval of rural-urban land conversion in practices. According to the informants, the reasons are as follows. Every year the municipal LRC is required to accomplish an annual appointed minimum quota of rural-urban land conversion, which has been assigned by the LMC stands for the municipality. Once the appointed quota exceeds the number of successful land leasing deals in the primary land market, the municipal LRC is required to find other ways to afford the stipulated land fees for the extra expense that cannot be passed on to private sectors. How the municipal LRC copes with this problem is to be elaborated in the last component of land-centered financialization.

In the process of land selling, an important work undertaken by the municipal LRC before entering into market transaction of land use rights (land leasing activities) is

setting a minimum land leasing price consists of three parts: land expropriation cost, stipulated land fees, and minimum expected profits of the municipality of city G. These three aspects are to be funded by private commercial land users engaged in the process of land selling. As mentioned above, specific expenditure of land expropriation cost in city G is negotiated between the municipal government and district governments. Since the “Measures for Disposal of Unused Land” has been launched in 2012, private commercial land users need to transfer their negotiation outcome of expropriation cost to the municipality through paying land leasing price set by the municipal LRC, rather than directly using this part of money to become the demolisher and compensator of specific land expropriation project. The specific amount of stipulated land fees is based on the relevant provincial standard, which is not a variable under the control of the municipality of city G. In reference to table 4.5 therefore, it is understood that annual stipulated land fees in 2014 and 2015 increased to nearly 110 and 140 thousands per mu, respectively.

As for the minimum expected profits in the process of land selling, the municipality expects a minimum profit of 800 thousand RMB per mu for leasing urban state-owned land parcels to private commercial land users for commercial and residential uses only. After setting specific minimum land leasing price for specific land parcels, these land parcels are to be put on the primary land market for land leasing through the approaches of public bidding and listing in which a previously-set minimum land leasing price always becomes the starting price. The following table demonstrates all relevant details of land use right transactions (land leasing activities) between the LRC on behalf of the municipality and private commercial land users in the municipal primary land market from 2013 to 2014. It can be seen that from 2013 to 2014, only three land use right transactions fetched a premium, which means that in a majority of these transactions, the final transaction price equals the correspondent starting price that is the minimum land leasing price set by the LRC on behalf of the municipality. The informants explained that this is because the number of private land users engaged in the municipal primary land market has decreased in recent years,



which resulted in the bad market conditions.

**Table 5.6 The municipal primary land market: details of land use right transactions between the LRC and private commercial users only (2013- 2014)**

No. of parcel	Location	Area of land (unit: mu)	Starting price (unit: million)	Transaction price (unit: million)	Premium (unit: million)
Year 2013					
2013 total		2642.8	2098.24	2217.15	91.9
1	High-tech development zone	26.29	27.52	27.52	0
2	High-tech development zone	12.52	9.51	9.51	0
3	High-tech development zone	6.95	8.52	8.52	0
4	High-tech development zone	34.29	39.5	39.5	0
5	High-tech development zone	40.31	9.47	9.47	0
6	High-tech development zone	83.37	142.86	219.36	76.5
7	High-tech development zone	173.63	284.77	284.77	0
8	High-tech development zone	3.85	1.15	1.15	0
9	High-tech development zone	37.88	35.7	35.7	0
10	XH urban district	17.71	10.18	10.18	0
11	XH urban district	94.278	54.52	54.52	0
12	XH urban district	86.22	92.83	92.83	0
13	XG urban district	33.46	16.75	16.75	0
14	XG urban district	101.73	71.21	71.21	0
15	XG urban district	175.95	123.17	123.17	0
16	XG urban district	239.09	63.28	63.28	0
17	XG urban district	193.18	135.27	135.27	0
18	XG urban district	907	636	636	0
19	XG urban district	31.5	35.34	35.34	0
20	XF urban district	7.57	7.85	7.85	0
21	XF urban district	10.46	8.37	8.37	0
22	XF urban district	13.81	14.77	29.17	14.4
23	XF urban district	44.32	46.99	46.99	0
24	XF urban district	7.7	7.9	7.9	0
25	XZ urban district	17.82	19.34	19.34	0
26	XZ urban district	204.84	166	167	1
27	XZ urban district	11.6	10.29	10.29	0
28	XZ urban district	30	28.29	28.29	0
29	Industrial parks	24.46	16.07	16.07	0
Year 2014					
2014 total		544.5	719.33	719.33	0
1	High-tech development zone	30.12	54.14	54.14	0

2	XZ urban district	14.39	16.51	16.51	0
3	XZ urban district	11.269	12.75	12.75	0
4	XZ urban district	112.59	178.75	178.75	0
5	XH urban district	48.16	16.11	16.11	0
6	XH urban district	16.18	15.88	15.88	0
7	XH urban district	23.07	27.68	27.68	0
8	XH urban district	42.07	50.48	50.48	0
9	XH urban district	2.88	3.46	3.46	0
10	XF urban district	20.159	16.65	16.65	0
11	XF urban district	1.808	3.28	3.28	0
12	Industrial parks	168.51	245.24	245.24	0
13	Industrial parks	49.63	73.22	73.22	0
14	Industrial parks	3.68	5.18	5.18	0

Source: the municipal LRC

This table only demonstrates the successful land use right transactions (land leasing activities) in which the LRC successfully leased urban state-owned land to private commercial land users. Two aspects of primary land market activities are not covered here. The first is the failed land use right transactions (land leasing activities) because of various reasons, which account for nearly one third of the number of the successful land use right transactions presented in the above table. The second is the transacting and allocating processes in which the LRC lease land use right to public institutions, state sectors, and state-funded enterprises for specific purposes. With the decreasing number of private commercial users engaged in land use right transactions in recent years, there are more and more practices in this aspect, as the municipal LRC reserved many urban state-owned land waiting for disposal. Due to poor market conditions, the municipal LRC needs to find another reliable source to collect sufficient funds for submitting stipulated land fees required by the provincial land authority, which is to be elaborated later.

### ***5.5.2 Component 3: Land-related taxes and fees collected by municipal tax bureau (MTB)***

According to field work investigation in the municipal MTB, most of the land-related

tax items in city G are identical to the tax categories that have been previously identified in chapter 4 (See the two columns below). There are two exceptions. First, there is no such land-related tax item called “urban real estate tax”, which was previously used as a general term includes all relevant tax sources contributed by real estate industry. Second, it is better to divide the term “business tax and enterprise income tax relevant to the industries of construction and real estate development” into two separate tax items in the municipal practices: business tax relevant to the industries of construction and real estate development, and enterprise income tax relevant to the industries of construction and real estate development. This is because each of them can entail large amount of tax income in the municipal practices. The following table illustrates annual tax collection conditions of all the land-related tax income sources from 2007 to 2013. The municipal MTB does not calculate BTL and BTCR separately, instead, both BTL and BTCR have been considered as a single tax item-business tax relevant to property transfer.

Column 1: Land-related tax items directly related to land-based income generation:

- Urban land use tax (ULUT)
- Land value increment tax (LVIT)
- Farmland (arable land) occupation tax (FOT)
- Deed tax (DT)

Column 2: Land-related tax items of construction & real estate industries, which can be regarded as both indirect contributors of land-related government revenue and key indicators of extent of prosperity in land-centered urban development:

- Business tax relevant to land use rights transfer (BTL)
- Business tax relevant to the industries of construction and real estate development (BTCR)
- Enterprise income tax relevant to the industries of construction and real estate development. (EITCR)
- Housing property tax (BPT)

**Table 5.7 Land-related tax income sources in city G: annual tax collection 2007-2013**

Unit: million RMB

	2007	2008	2009	2010	2011	2012	2013
Column 1							
<b>ULUT</b>	29.47	40.35	97.06	134.33	142.27	319.40	458.81
<b>LVIT</b>	29.96	62.03	62.74	229.83	469.78	622.52	932.79
<b>FOT</b>	40.03	3.14	24.30	45.03	49.87	43.31	12.62
<b>DT</b>	Null	Null	Null	62.54	548.07	883.63	1187.66
Column 2							
<b>BTL &amp; BTCR</b>	190.79	307.82	769.26	938.38	1144.81	1544.19	1628.79
<b>EITCR</b>	7.09	19.50	769.26	105.84	154.32	294.15	382.58
<b>BPT</b>	773.35	105.03	115.93	165.19	190.69	205.34	196.52

Source: the municipal MTB

### ***5.5.3 Component 4: The municipal practices in land financing by means of land mortgage loans***

Since the process of land selling in city G has experienced poor market conditions in recent years, the number of land parcels reserved by the LRC, and the municipal LRC can not gather sufficient land leasing fees comprising land expropriation cost, stipulated land fees, and minimum expected profits as the source of the municipality's off-budget revenue. Under these circumstances, the municipal LRC used two strategies to cope with the financial pressure and excessive urban land reservation at the same time. First, from 2011 to 2014, the LRC mortgaged 8 parcels of urban state-owned land designated for business-related construction uses, in order to acquire large amount of land mortgage loans from different local banks in city G. The details are presented in the following table (see table 5.7). Informants explained that the main reason for this government behavior is that with limited financial supports from the municipal MFB, the LRC needs to raise money by themselves in order to fund the stipulated land fees needed for approving the appointed quota of rural-urban land conversion. A substantial part of these land mortgage loans are to be spent on the

stipulated land fees submitted to provincial land authority for the approval of rural-urban land conversion.

**Table 5.8 Land mortgage loans acquired by the municipal LRC from 2011 to 2014**

unit: mu, million

No. of parcel	Area	Location	Local banks offered the mortgage loan	Amount of land mortgage loan	Due time upon land mortgage loan
1	316.05	High-tech development zone	BOCOM	200	13/12/2011 - 12/12/2013
2	204. 83	XZ district	CGB	100	21/06/2012 - 28/06/2014
3	300	XZ district	HRXJB	300	05/07/2013 - 04/07/2015
4	258. 48	XZ district	ECITIC	200	28/02/2014 - 27/02/2017
5	214. 39	XH district	CGB	200	28/05/2013- 27/05/2015
6	143. 56	XH district	CGB		
7	226. 69	XH district	ECITIC	300	27/11/2012- 26/11/2014
8	148. 77	XF district	ECITIC		
Total	1812. 78			1300	

Source: the municipal LRC

Second, the municipal LRC chose to lease a substantial part of urban state-owned land parcels within its reservation scheme to state-funded investment companies rather than private commercial land users in the primary land market (See table 5.8). There are in total six different investment companies funded by the municipality of city G, namely, LY, BJ, JT, SL, HX, and CS company. These companies functioned as financing platforms for the municipality. All of them received allocations of high-grade urban land parcels from the municipal LRC in 2013 and 2014 at the expense of temporarily paying for land leasing fees collected by the LRC on behalf of municipality (See table 5.8).

Within this process, three things need to be highlighted. First, the purpose of the LRC in leasing land to the six state-funded investment companies is to enable them to apply for land mortgage loans from the local banks. In order to ensure these companies can require land mortgage loan, all the land parcels leased from the LRC

to them must be urban state-owned land designated for commercial and residential uses, because it is ineligible for any sector to get land mortgage loan through urban state-owned land for public uses, and even industrial uses. The transaction prices in primary land market, as well as the quality and grade of specific land parcels, are significant factors that determine how much mortgage value for which the land parcels can qualify. This is why the starting price and transaction prices (they are the same and there is no price premium when the LRC lease land to state-funded investment companies) set for the investment companies (See table 5.8) are deliberately designated by the LRC at a higher level than the starting prices set for the private commercial land users (See table 5.6). Second, no matter how much the six investment companies pay for the land transaction prices charged by the LRC in primary land market, these land leasing fees collected by the LRC will be returned back by the municipality to these companies at the “right time” in the name of “government grant”. The reason for this indirect solution of “payment and return” is that the LRC and the municipality require a process of legalization. Since all these land parcels are not state-allocated land for public uses, they need to be leased out through the procedures of public bidding, listing, or auction in primary land market if the LRC proceed land leasing activities in a legitimate way. The six investment companies therefore, actually obtain land use rights of the land parcels from the LRC for free. As a result, they often compete against each other for acquiring the land use rights of these land parcels. The LRC lease different numbers and areas of land parcels to each of the six investment companies (See table 5.8) according to relevant decisions of the municipality. When making these final decisions, the municipality will normally consider the infrastructure construction workload assigned to each of these companies.

**Table 5.9 Information of land-centered financialization: land parcels leased from the LRC to the six state-funded investment companies in city G (2013- 2014)**

No. of parcel	Location	Area of land (unit: mu)	Starting price (unit: million)	Transaction price (unit: million)	Buyer
Year 2013					
2013 total		1089.7	1152.71	1152.71	
1	XH urban district	89.74	62.58	62.58	CS
2	XH urban district	60.68	40.00	40.00	CS
3	XH urban district	79.13	48.72	48.72	CS
4	XH urban district	47.58	41.74	41.74	CS
5	XF urban district	128	15.19	15.19	CS
6	XZ urban district	174.16	25.77	25.77	CS
7	XF urban district	126.82	162.67	162.67	CS
8	XF urban district	28.16	36.79	36.79	CS
9	XZ urban district	9.82	14.73	14.73	CS
10	XF urban district	20.72	24.25	24.25	CS
11	XH urban district	96.79	105.86	105.86	SL
12	XH urban district	104.66	116.98	116.98	SL
13	XH urban district	89.18	88.68	88.68	SL
Year 2014					
2014 total		6194.9	11892	11892	
<b>Total to CS investment company</b>		1658.36	3242.62	3242.62	
1	XG urban district	70.02	135.71	135.71	CS
2	XF urban district	116.54	221.97	221.97	CS
3	XF urban district	102.75	192.32	192.32	CS
4	XG urban district	125.16	221.80	221.80	CS
5	XG urban district	99.73	182.03	182.03	CS
6	XZ urban district	206.96	473.49	473.49	CS
7	XZ urban district	166.25	373.54	373.54	CS
8	XZ urban district	119.75	267.33	267.33	CS
9	XH urban district	21.24	39.53	39.53	CS
10	XH urban district	149.55	278.34	278.34	CS
11	XH urban district	139.32	252.43	252.43	CS
12	XH urban district	141.89	248.68	248.68	CS
13	XH urban district	108.24	188.65	188.65	CS
14	XH urban district	90.96	166.80	166.80	CS
<b>Total to SL investment company</b>		84.36	1605.31	1605.31	
15	XG urban district	142.15	241.23	241.23	SL
16	XG urban district	98.55	197.10	197.10	SL
17	XG urban district	42.89	65.07	65.07	SL
18	XH urban district	141.2	241.02	241.02	SL
19	XH urban district	191.87	306.88	306.88	SL
20	XH urban district	171.4	421.72	421.72	SL
21	XH urban district	55.3	132.29	132.29	SL

<b>Total to LY investment company</b>		1043.24	2083.49	2083.49	
22	XG urban district	18.95	40.23	40.23	LY
23	XG urban district	140.8	316.86	316.86	LY
24	XG urban district	184.94	402.18	402.18	LY
25	XG urban district	183.71	381.79	381.79	LY
26	XG urban district	42.43	90.54	90.54	LY
27	XG urban district	88.15	166.60	166.60	LY
28	XG urban district	17.86	33.93	33.93	LY
29	XG urban district	183.76	339.95	339.95	LY
30	XG urban district	80.93	149.72	149.72	LY
31	XG urban district	41.13	64.16	64.16	LY
32	XG urban district	50.49	78.76	78.76	LY
33	XG urban district	0.42	0.78	0.78	LY
34	XG urban district	9.67	17.99	17.99	LY
<b>Total to BJ investment company</b>		751.76	1516.38	1516.38	
35	XZ urban district	133.03	301.62	301.62	BJ
36	XZ urban district	111.43	248.76	248.76	BJ
37	XH urban district	21.06	36.84	36.84	BJ
38	XH urban district	109.08	210.43	210.43	BJ
39	XH urban district	15.72	27.48	27.48	BJ
40	XH urban district	109.78	212.90	212.90	BJ
41	XZ urban district	174.82	331.07	331.07	BJ
42	XZ urban district	76.84	147.28	147.28	BJ
<b>Total to JT investment company</b>		1047.46	2023.04	2023.04	
43	XG urban district	50.33	131.54	131.54	JT
44	XH urban district	126.78	188.64	188.64	JT
45	XH urban district	150.78	241.30	241.30	JT
46	XG urban district	101.75	233.35	233.35	JT
47	XF urban district	141.68	264.83	264.83	JT
48	XF urban district	118.3	236.82	236.82	JT
49	XZ urban district	200.4	412.51	412.51	JT
50	XZ urban district	157.44	314.05	314.05	JT
<b>Total to HX investment company</b>		236.81	469.97	469.97	
51	XZ urban district	74.61	156.48	156.48	HX
52	XF urban district	162.2	313.49	313.49	HX

Source: the municipal LRC

After receiving large areas of high-grade urban state-owned land from the LRC, the six state-funded investment companies are capable of using these land parcels to apply for land mortgage loans from the local banks. The banks will lend different amounts of loans to each of them based on specific area, quality, and primary market



transaction price of land parcels they provide. The six state-funded investment companies then use the loan to invest in many urban infrastructure construction projects which are normally alongside or on the land parcels belong to these companies. This investment behavior is compulsory since these are top-down construction tasks assigned by the municipality. The urban infrastructure construction projects undertaken by the six investment companies are centered on road constructions and repairs at the current development stage (a typical example is the city trunk-road mentioned earlier).

After an infrastructure construction project has been accomplished, a normal operational procedure planned by these companies is to sell land use rights of the nearby land parcels on secondary land market with the assumption that the completed urban infrastructure will raise the commercial value of the land parcels close-by. Through this approach, the six state-funded investment companies are able to pay off the loans and make profits. This plan works in most cases, but is not absolutely reliable due to the potential risk of transaction failure of these land parcels on secondary land market. In order to reduce the risk of transaction failure, the municipal LMF on behalf of the municipality will intervene in relevant land-price evaluation procedures when necessary, in order to make sure these land parcels are not priced too high. After all the business is completed, the six investment companies will turn back to the primary land market by the LRC to apply for a new class of urban land parcels, in order to launch a new round of production processes in which the raw material is urban state-owned land from the LRC, while the end product can be the same parcel of land only with higher commercial value.

According to the data provided in table 5.8, in 2013 and 2014, the municipal LRC leased 1089.7 mu and 6194.9 mu area of urban state-owned land, respectively, to the six state-funded investment companies. Among these investment companies, CS company gained the largest number of land parcels from the LRC in both 2013 and 2014. This is because CS company has the largest capital chain and strongest capacity

in infrastructure capacity among the six state-funded investment companies. The funding sources and fund-raising capacity of CS company area presented in table 5.9.

**Table 6.0 Funding sources of CS company**

unit: RMB

	2011	2012	2013	2014
Government grants received	317 million	398 million	493 million	512 million
Land mortgage loans acquired	960 million	2.8 billion	650 million	4.5 billion

Source: CS company

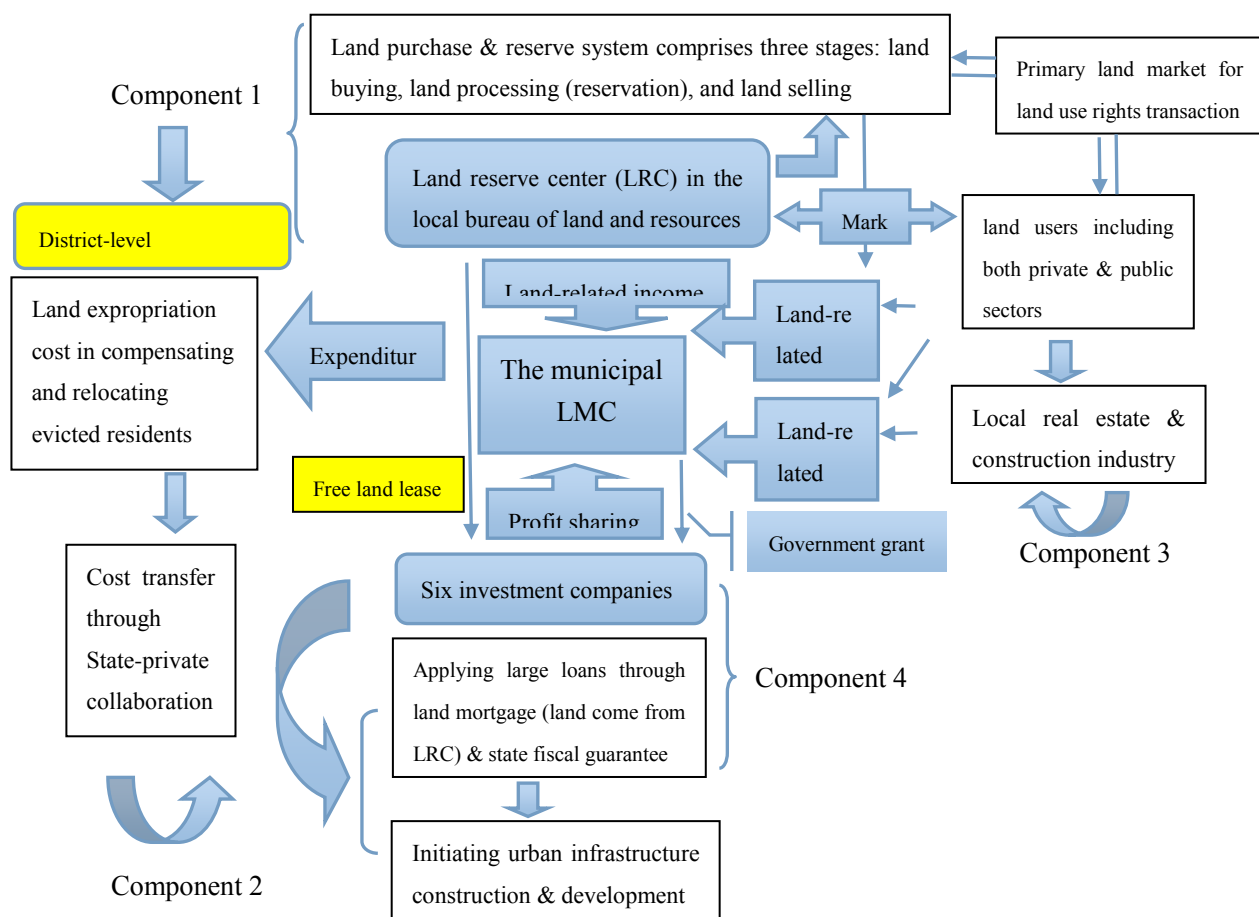
#### ***5.5.4 The municipal process of land-centered financialization in city G***

The basic process and constitution of land-centered financialization in city G is close to the land-centered financialization framework that has been raised in Chapter 4. In the case of city G, land-centered financialization plays a vital role in generating sufficient government revenue required by the municipal LMC on behalf of the municipality of city G. As with the previous framework, the entire process can be divided into 4 sub-components, each of them has different function for the general process of land-centered financialization. The inter-connections and casual relationships among these 4 components are also the same as those described in the framework at the end of chapter 4.

Nevertheless, there are many detailed changes from what have been described in the theoretical framework at the end of chapter 4. First, the major institutional players and their relevant behaviors in component 1 and component 2 are closely connected, which makes these two components integrate with each other. To ensure sufficient

“cooked” urban state-owned land can be provided to primary land market for land use right transactions (land leasing activities), the municipal LRC need to largely rely on the process of rural land expropriation together with consequential compensation and relocation, which is implemented by district governments (See chart 4.1). District governments in city G play an important role in determining how much the municipality need to spend in the process of land buying. Second, in city G, the major funding source of urban development and infrastructure construction comes from the 6 state-funded investment companies through land mortgage loans, which is to say, the core link of the municipal process of land-centered financialization is component 4 rather than the primary land market between component 1 and component 3. As a consequence, in city G, the number of urban land parcels leased to the six investment companies accounts for a larger proportion than the number of urban land parcels leased to the private commercial land users in the primary land market. All of the land parcels are leased to these companies for free (See chart 4.1), while the area and grade of these land parcels must be qualified for these companies to acquire sufficient land mortgage loans. These efforts ensure that companies can raise enough funds to accomplish the urban development tasks assigned by the municipality on time. Third, the case of city G reveals that there has been a power center that guided the behaviors of major institutional players in all the four components in the municipal process of land-centered financialization—the municipal LMC (See chart 4.1). The local LMC is not a special government institution setting in city G. It can be found in many other different cities. The municipal LMC in city G is not only the immediate commander of the municipal LRC that charges the process in component 1, but is also the authority that determines the land parcels received by and the land-financing behaviors of the six state-funded investment companies in component four. Moreover, the municipal LMC can intervene in fixing and evaluating land leasing price in primary and secondary land market. Due to the political ties between the heads of district governments and the municipal top decision makers, the LMC can also administer district government in implementing rural land expropriation as the prerequisite of land-centered financialization.

**Chart 5.2 Municipal framework of land-centered financialization in the case of city G: power, role position, and connections among the major institutional players in the municipal context**



## **Chapter 6**

### **Reconciling dual perspectives on the context-based framework of land-centered urban development and resident relocation**

The previous chapter presented the description and preliminary interpretation of the qualitative data gathered through documentary analysis and in-depth interview. Qualitative data are presented not only to describe the municipal scenarios of land-centered urban development and financialization from government behavior perspective, but also to distinguish the complicated situation of resident relocation from the perspective of grass-root society. To further elaborate the context-based framework of land-centered urban development, financialization, and resident relocation, this chapter will discuss specific content areas and themes generated from the qualitative data presented by Chapter 5. In order to make sound arguments that answer the research questions, the summarized outcomes of these concepts and themes will be either examined through the theoretical frameworks in previous chapters, or compared with previous research findings in relevant literature.

#### **6.1 Context-based framework of land-centered urban development, residential resettlement, and financialization: local government perspective**

Based on the summaries of relevant literature review and the investigation outcome of this study, it can be concluded that for many prefecture-level Chinese cities, the concept and municipal process of “land-centered urban development” in a broad sense, comprises activities in four dimensions. The first dimension includes the three stages of state-dominated land purchase & reserve system: land acquisition, land processing, land-leasing (including residential resettlement). The second dimension refers to the

local government behavior in residential resettlement as a consequence of land acquisition activities. The third dimension connects to a chain of land-related industries including both urban infrastructure construction and commodity real estate development. The last dimension refers to context-based practices and approaches of land-centered financialization. Among these four aspects, the first is the fundamental basis for the other three, which means that various land-based urban development activities and superstructures have been ultimately determined by the operational conditions of the three stages of land purchase & reserve system.

This section will discuss the research findings focused on this targeted concept of land-centered urban development from the perspective of local government. The emphases of analysis will be put on three of the above four dimensions except for the dimension of land-related industries, since it is only reflected in relevant tax collections as the research findings in chapter 5. In-depth data interpretation will be made through developing major themes representing for sets of context-embedded conditions in different dimensions of land-centered urban development. Each theme signifies a specific content area in which in-depth data interpretations and consequential discussions become necessary. All the content areas of these themes constitute the general map of the context-based framework of land-centered urban development in city G. These themes are elaborated below.

### ***6.1.1 Local institutional settings***

The first theme of the concept of land-centered urban development is “local institutional settings”. The content area of this theme comprises of both legal institutional framework and political-administrative framework. In the context of city G, the municipal legal institutional framework relevant to the three stages of land purchase & reserve system and the consequential practices of residential resettlement, is completely formulated by the municipality of city G as a context-embedded local policy instrument of the government of the city. Specific areas of local state power legitimated by the municipal legal institutional framework set by the municipality

include the following aspects:

- Determining & deciding specific plans, scopes, and strategies of land acquisition activities which comprise of rural land expropriation and retrieve of urban state-owned land;
- Processing legal administrative approval for legitimizing use right transfer of urban state-owned land;
- Retaining the enforcement power in compelling land acquisition and building-demolition activities if necessary;
- Retaining the authority in official recognizing legitimate demolishers that are authorized to undertake the duties of building-demolition resulted from land acquisition activities;
- Retaining the autonomy in determining specific measures, criterion, clauses of compensation and residential resettlement for reimbursing evicted residents who lived in the area of rural collective land where activities of rural land expropriation had been implemented on;
- Retaining the authority to finally decide the compensation details and residential resettlement arrangement for evicted urban residents when a bargaining between demolisher and evicted urban residents fails to reach agreement;
- Retaining the autonomy in determining specific patterns, forms, funding approaches, spatial arrangements and geographic locations of residential resettlement, as well as constructing modes of resettlement buildings, for the evicted residents;
- Retaining the eligibility in applying for provincial administrative approval of rural-urban land conversion, on behalf of the prefecture-level city;
- Retaining the decision-making power in manipulating all the components and procedures in primary land market, including minimum requirement of land leasing fee (pure profits) based on minimum standard of land-leasing prices (including allocation price and conveyance price) for each specific land parcel, strategic plans and processes of specific land leasing activities, and selection and

final confirmation of private developers as land buyers of these land leasing activities.

- Retaining the decision-making power in selecting private corporate collaborators as a party engaged in state-private joint venture for urban infrastructure construction or residential resettlement if necessary.

It can be concluded that the municipal legal institutional framework set up by the municipality empowers relevant local government bodies and departmental bureaus in city G to fully control nearly all aspects and processes in the three stages of land purchase & reserve system and the consequential practices of residential resettlement. This legal institutional framework actually represents for the range and limit of the authority of the municipality in city G in manipulating land-centered urban development. Even though the municipal legal institutional framework can be regarded as local policy instruments leave extensive spaces of practical power for local government bodies to run the businesses of land-centered urban development, there remains a significant area of authority that is not retained by the municipality of city G legal administrative power in approving rural-urban land conversion. According to the provincial legal framework, in order to accomplish the administrative procedure of rural-urban land conversion claimed by the land authority of city G, initiating bottom-up application for provincial approval is a prerequisite, and a large amount of stipulated land fees are required to be paid by the municipal government of city G for this approval.

Another element of the content area of “local institutional settings”, is the municipal political-administrative framework relevant to the three stages of land purchase & reserve system and residential resettlement is also set up by the municipality of city G based on the political context of the city. Chart 5.1 in chapter 5 has presented all the local government branches, bureaus, and special agencies relevant to not only the content areas of land purchase & reserve system and residential resettlement, but also the content area of land-centered financialization. According to Chart 5.1, there are in



total, eight different local government bodies and departmental bureaus directly involved in the three stages of land purchase & reserve system, namely, LMC, BUP, BHUC, HPB, BLR, LRC, MFB, and district governments, while there are four different local government bodies and departmental bureaus directly related to the imperative of residential resettlement as the consequence of land-centered urban development initiatives: MOR, ACR, MFB, and district governments. Through a thorough comparative review of the research findings and literature, it can be concluded that all eight local government bodies related to the three stages of land purchase & reserve system represent common institutional arrangements of local political administrative settings in many prefecture-level cities in China. Nevertheless, three out of four local government bodies relevant to residential resettlement: MOR, ACR, and district governments, are peculiar institutional settings which have been particularly set up by the municipality of city G to cope with the special circumstances seldom seen in other cities. The major roles and functions of these 3 government bodies were elaborated in Chapter 5. While the the special circumstances they aimed to deal with have deep-rooted historical reasons which will be discussed as follows.

### ***6.1.2 Historical reasons: context-embedded residential resettlement***

The peculiar institutions: MOR and ACR, were set up by the municipality as special task groups in order to resolve the problems of residential resettlement. These problems have been accumulated in the historical process of urban development and urban expansion in city G. From 2001 to 2014, significant urban expansion and sharply rising numbers of government-led infrastructure construction projects in rural and urban landscapes of the city have resulted in extensive areas of land acquisition and building-demolition. More importantly, these urban development initiatives have resulted in 31 thousand evicted rural and urban residents within the plan of government-funded residential resettlement in city G. As of 2014, relevant

government bodies in city G have properly relocated 60 percent of these local evicted residents through initiating dozens of government-led resettlement project, while the remaining forty percent of evicted residents are still using government subsidies to live in rental houses during the fieldwork period of this study. The main reason for the government's inability to relocate these residents on time is a long term funding shortage, which accounts for the initiation of another major theme of context-based framework of land-centered urban development in city G-state-private joint venture in residential resettlement, which will be discussed later. As for the 60 percent of evicted residents who have already been properly relocated through government-led resettlement projects, a persistent problem is that a substantial part of them are still living in unauthorized resettlement houses, since a majority of these government-led resettlement projects have not processed sufficient administrative procedures subsequently approved by relevant government bodies and departmental bureaus before the period of this study ended. Under these circumstances, the municipal top decision maker determined to centralize government administrative resources to fix the complicated situation of residential resettlement, which accounts for the emergence of MOR and ACR.

Another peculiar institutional setting in city G the appointment of specific district government as the practical implementer of rural land expropriation, compensation, and residential resettlement is also significantly affiliated with historical reasons. 6 years ago, with the aim of making the movement of urban expansion & development a measurable competition among different urban districts, a former mayor of city G decentralized the implementing powers of these activities from the municipal LRC to district governments. This largely generated the enthusiasms of district governments in promoting and facilitating urban development projects within their respective territorial areas. The lack of a unified implementing procedure contributed to the dispersed practices of rural land expropriation, inconsistent compensating standards and measures, and chaotic arrangements of residential resettlement. This contributed to many of the causes of the complicated situations and complicated practices of

residential resettlement and compensation presented in the data in chapter 5. Because of the practical importance of the implementing powers in these activities to the municipal plan of land-centered urban development, as well as possible financial benefits that can be gain through retaining these implementing powers, district governments have sufficient capacity and incentive to bargain with the municipality of city G in order to claim for more government grants of land expropriation cost that may enable them to launch these implementations.

Based on above elaborations, the content area of the theme of “historical reasons” includes the context-embedded reasons and relevant scenarios, which resulted in the peculiar institutional settings in the municipal practices of land-centered urban development. These historical reasons also contributed to the formation of some of the incentives underlying local government behaviors in seeking opportunities of state-private joint ventures and other aspects of land-centered financialization (like the collection of stipulated land fees).

### ***6.1.3 Significance and impacts of state-private joint ventures***

According to the qualitative data presented in chapter 5, context-based approaches of state-private joint ventures play a vital role in fixing the funding shortage claimed by either the municipality or relevant district government in relocating the evicted residents in city G. This argument is consistent with the scenarios in other cities presented in the relevant literature (Wu, 2007; Zhou, 2012). It can be seen that recruiting private funds in residential resettlement (especially construction of resettlement housing) through various forms of state-private joint ventures is a nation-wide phenomenon. Saving government expenditure in residential resettlement however, is not the unique significance of those state-private joint ventures in the context-based framework of land-centered urban development in city G.

According to the process of XZ project, state-private joint ventures may take flexible operational approaches in which government provide private investors with either exemption of construction fee or privilege of land-leasing price in order to reimburse those private investments invested in residential resettlement. These two approaches of state-private joint ventures have been widely used in many infrastructure construction initiatives other than resettlement housing in city G. If both parties agree to adopt the former collaborative approach, once invested in government-funded infrastructure construction, the private sector does not need to pay any construction fee in subsequent real estate development projects initiated by themselves. This is intended to enhance the incentives of those private sectors to collaborate with local governments in terms of urban infrastructure construction. If the collaborative approach of land-leasing price privilege is chosen for state-private joint venture, in return for the private investment in specific urban infrastructure like city roads and resettlement housing, local state will legitimately transfer specific land parcels to specific private investors at below market prices. This has not only satisfied each parties' particular interests, but also helped to maintain the ostensible prosperity of primary land markets in some of the prefecture-level cities.

Various forms of state-private joint ventures may also bring negative impacts to local political ecology. The original purpose of using various forms of state-private joint ventures is to fix public funding shortage in constructing urban infrastructure, but the ultimate consequences resulting from using state-private joint ventures may deviate from this original purpose in practice. Data presented in chapter 5 revealed that the use of state-private joint venture can even worsen the situation of non-transparency in the government funding plan for residential resettlement, thus making the contested relationship between district government and municipal government more complicated. In many infrastructure construction projects that entail rural land expropriation in city G, as the specific government body in charge of implementing rural land expropriation, district governments will receive a large amount of land expropriation cost allocated by the municipality, which is actually afforded by private

developers. It often becomes difficult however, to judge whether or not this amount of money is sufficient to compensating and relocating the evicted residents, since the actual amount is often negotiated between district government and the municipality, both of which are able to ‘play games’ with each other. Under these circumstances, any injection of private funds come from specific form state-private joint venture can make things more complicated. It can be inferred that possible injection of private funds can further encourage the utilitarian incentive of district governments who expect to minimize any expenditure from their own hidden reserves and who desperately want to accomplish those resettlement tasks regardless of any implementing measures. This explains why the XZ district governments was so urged to sign the collaboration contract with CH company, as presented in chapter 5. Some of the district governments in city G even did not transfer any land expropriation cost they have received from the municipality into residential resettlement because of the financial supports from relevant private sectors. Since using private funds instead of public land expropriation cost means not being monitored by municipal government bodies, some of the district governments tend to transfer all the relevant duties of resettlement housing construction to other parties who are likely to transfer these duties again regardless of quality concerns of those resettlement houses. Therefore, casual use of state-private joint venture can be also regarded as an important aggravating factor in the complicated situation of residential resettlement in city G.

Based on above elaborations, the theme of “significance and impacts of state-private joint ventures” primarily refers to the significance of the co-efforts of local governments and local private sectors in creating a win-win situation for each other in terms of driving urban development projects and disposing of residential resettlement issues. Considering possible casual use and chaotic process of state-private collaboration in many local practices, this theme also refers to the possible negative impacts of state-private joint ventures to local political ecology and context-embedded scenarios of land-centered urban development.

#### ***6.1.4 Centralized power control***

Based on the qualitative data presented in chapter 5, the LMC is the municipal top authority commanding relevant government bodies and departmental bureaus involved with the three stages of land purchase & reserve system while the ACR is another municipal top authority commanding relevant government bodies and departmental bureaus involved with the municipal practices of residential resettlement. It can be concluded that the LMC and ACR, together, constitute a “dual-core processor” that drives the municipal plan of the context-based land-centered urban development. In order to launch this municipal plan, the municipality has arranged special personnel structure for these two key institutions. Both the LMC and ACR contain overlapping group members that are the department heads of relevant departmental bureaus (BLR, BUP, BHUC, MDRC, HPB, MAB, MFB, and MTB) and district governments. The leader of LMC is the city mayor while the leader of ACR is the deputy mayor in charge of urban development. These arrangements guarantee the centralized power of LMC and ACR in mobilizing all the relevant administrative and political resources in the municipal landscape through commanding the local government bodies and departmental bureaus in different dimensions of land-centered urban development.

Apart from the centralized power in commanding relevant government bodies, the LMC and ACR also have been equipped with respective implementing agencies to launch their plans, strategies, and policies in a top-down approach. As the implementing agency under the direct control of LMC, the LRC has become the empowered agency equipped with the centralized power in manipulating & implementing the three stages of the municipal land purchase & reserve system except rural land expropriation activities taken by district governments. Through monitoring daily works of the LRC, the LMC can easily control the operational process of land pricing and land leasing activities in the primary land market as well as the pace of

rural-urban land conversion and the numbers of land parcels within LRC's land reservation scheme. As the implementing agency under the direct control of ACR, the MOR has been equipped with the centralized power in disposing of all the remaining problems and improving the complicated situations of residential resettlement in the municipal landscape. The relationship between ACR and MOR is the same as that between LMC and LRC.

Based on above elaborations, the content area of the theme of "centralized power control" refers to the local political convention of setting up specially empowered authorities to uniting all relevant aspects of powers, capitals, and resources for controlling specific key areas or resolving specific problems. This local political convention can be seen in many socioeconomic areas other than the dimensions of land-centered urban development. A typical instance is the initiation of many anti-air pollution headquarters under the direct control of the municipal leaders of the cities in north China.

#### ***6.1.5 Reasoning of different concerned issues of institutional stakeholders***

There are both institutional and individual stakeholders in different dimensions of land-centered urban development. This section focuses on the discussions on the reasoning of different concerned issues of those institutional stakeholders only. The institutional stakeholders in all the dimensions of land-centered urban development in city G can be grouped into three main parties of stakeholder group: the municipality, district governments, and private sectors who engaged in either land leasing activities or state-private joint ventures in infrastructure construction includes state-led residential resettlement.

The primary stakeholder in the municipality of city G, which controls all the departmental bureaus directly involved in not only the three stages of land purchase &

reserve system but also the consequential activities of residential resettlement. These departmental bureaus include LMC, BUP, BHUC, HPB, BLR, LRC, MFB, MOR, and ACR. From the perspective of government behavior, all of these institutions expect the same interests with the municipality because they are subordinate units affiliated with the big “municipal company” and both the administrative and financial power of them are subject to the municipality. Therefore, all of these departmental bureaus and the municipality can be integrated into a single stakeholder group in the municipal practices of land-centered urban development and residential resettlement. Based on the analysis of the data presented in chapter 5, they are concerned with the following issues:

- Minimum land leasing price. Minimum land leasing price signifies the minimum expectation of profits wanted by the municipality in land-leasing activities in the primary land market. Specific standards of minimum land leasing price set for specific land parcels are often determined by the LMC under the direct control of the top decision makers in the municipality. The formulation of minimum land leasing price guarantees the major income source of land-related income that can be collected by the municipality. This income source is also the major financial objective of the context-based municipal plan of land-centered urban development.
- Land expropriation cost allocated to district governments. As mentioned earlier, the municipality concerns about the game playing behavior of district government in claiming excessive amount of land expropriation cost, which is likely to increase the municipal financial expenditure for the context-based plan of land-centered urban development and financialization of land development. Moreover, long-time delay of residential resettlement is another situation that worries the municipality because it may increase the temporary resettlement fee as part of the land expropriation cost allocated to district governments.



- Rural-urban land conversions. Only the municipality is eligible to apply for approval of rural-urban land conversion. The municipality mainly concerns about two things in this regard. One thing is about the annual completion of rural-urban land conversion because increased number of urban-state owned land parcels actually equals generation of key development resource either for land-leasing activities or financialization of land development. This explains the phenomenon of the official annual arrangement of a certain number of quotas of land parcels used for rural-urban land conversion. The second thing is about the stipulated land fees needed for applying for the provincial approvals of these land parcels. Like the land expropriation cost allocated to district governments, these stipulated land fees constitute another major aspect of municipal financial expenditure for the context-based plan of land-centered urban development and financialization.
- Maintenance of social stability and the legitimacy of residential resettlement. It is possible to evolve into a potential social risk if the evicted residents impacted by the government behaviors of land acquisition and residential resettlement become petitioners accusing relevant local government bodies of specific conflicts and conducts that can harm their benefits. A persistent problem in this regard in city G is the lack of legal administrative approvals for many constructed resettlement houses, which significantly decreased the market value of these resettlement houses compensated to the evicted residents. Therefore, the municipality in city G set up the municipal ACR and MOR to cope with these issues.

District governments become another major stakeholder ever since the former city mayor changed the relevant institutional settings to equip district governments with the implementing power in rural land expropriation, building-demolition, and residential resettlement, all of which are the essential steps determine the “land buying process” of the entire system of land-centered urban development. Through this historical institutional adjustment, district governments in city G have been allowed a certain extent of independent financial power and executive flexibility in

accomplishing the administrative tasks of those activities, especially through conducting state-private joint ventures. This means that unlike those department bureaus mentioned above, district governments in city G are not completely subject to the municipality in terms of financial operation. Based on the analysis of the data presented in chapter 5, the concerned issues of district governments are different with those of the municipality in city G:

- The implementing power and the consequential hidden reserve. Because of the historical reasons, the district governments in city G have been equipped with the implementing power in rural land expropriation and residential resettlement, which actually provide them with the capacity to earn off-budgetary profits in a form of hidden reserve through manipulating relevant income and expenditure of land expropriation cost. These profit-earning opportunities contribute to the formation of not only the financial incentive underlying the behavior of district governments in implementing the activities of rural land expropriation and residential resettlement, but also the causes of the district governments' practical resistances to returning the implementing power to the municipality of city G.
- Income and expenditure of land expropriation cost. The accumulation of the hidden reserve retained by district governments relies on their manipulations of income and expenditure of land expropriation cost. In terms of the income sources, district governments are able to 'play games' with either municipality or private sectors in claiming excessive land expropriation cost. In terms of the practical expenditure of this money, district governments often subcontract construction projects of resettlement houses to those third parties at prices below the income of land expropriation cost received from either the municipality or private sectors. The excess contributes to major sources of the hidden reserve of district governments.
- Negotiating compensation with evicted rural residents. Besides residential

resettlement, compensation is another major dimension of land expropriation cost need to be firmly controlled by district governments if they expect to make profits. There are many ways for district governments to control their actual spending of the compensation fee for evicted rural residents, including those stressing and persuading approaches prevalent in relevant literature. An especially effective approach adopted by district governments in city G is to fix the conflicts and disagreements with the help of local village cadres, which is never a rough way, but in order to do this, district governments need to bribe these local village cadres through subcontracting some resettlement construction projects to them.

- Completion of administrative tasks assigned by the municipality. Even though a certain amount of financial power of district governments in city G is not subject to the municipality, politically, these district governments are required to be subject to administrative orders assigned by the municipality. The promotion opportunities and other political interests of the leading officials in charge of district governments are often tied with the ultimate outcome of and work efficiency in completing the administrative tasks of rural land expropriation and residential resettlement. Consistent with the research findings raised by Zhou. L (2007), there are political promotion competitions among the leaders in charge of different district governments in city G. Therefore, these district governments value more on quantity than quality in facilitating the construction of resettlement housing.

The private sectors that participated in either land leasing activities or state-private joint ventures of infrastructure construction constitute another major party of stakeholder in different dimensions of land-centered urban development. The concerned issues of them are as follows:

- Cost control. This is the central concern of those private sectors invested in urban infrastructure construction and real estate development initiatives. The actual

amount of land leasing price constitutes a substantial part of the general cost afforded by those private developers in urban development activities. As mentioned earlier, the minimum land-leasing price determined by the municipal LMC signifies the minimum requirement of profit expected by the municipality, but on the perspective of the private developers, it often becomes the maximum acceptable price perceived by them. This explains the reason why CH company refused to pay the increased price of land leasing fee required by the municipality several years ago after they fixed the original land privileged leasing price with the XZ district government. Apart from land leasing price, another major aspect of the general cost need to be afforded by those private developers includes various administrative fees needed for real estate development, construction industry, and land leasing activities, as well as the excessive part of land expropriation cost claimed by the district governments.

- Excessive amounts of land expropriation cost claimed by the district governments. As mentioned earlier, when private sectors decide to lease specific urban land parcels from the municipal LRC, district governments in city G are likely to insist on asking for an excessive part of land expropriation cost from those private sectors. Considering the fact that the practically needed land expropriation cost is already included in the land leasing fees afforded by the private sectors, those private sectors are often unwilling to pay the excessive part. If, however, private sectors finally refuse to pay so, with time pass by, the temporary resettlement cost will increase so that private sector will pay more since district government will never compromise to private sectors. Private sectors will; therefore, often have no choice but to agree to afford the excessive amount of land expropriation cost claimed by the district governments.
- The relationship with the key officials. Based on the above elaborations, among the three major aspects of general cost afforded by the private sectors invested in urban infrastructure construction and real estate development in city G, the excessive part of land expropriation cost become an totally uncontrollable

variable for them. Therefore, those private sectors can only think of adopting specific measures to decrease the other two aspects of the cost. The most effective way to achieve these dual objectives at the same time is building a “productive relationship” with the key officials who have the relevant powers. Through this way, private sectors will be able to not only lease specific urban land parcels at a privileged land leasing price which is even lower than the minimum land leasing price, but also enjoy significant reductions of the administrative fees needed for real estate development and construction industry.

#### ***6.1.6 Input-output analysis of land-centered financialization***

According to relevant literature (Zhou, F., 2007; 2010; 2012), the term “land finance” refers to a series of context-based measures and approaches of land-financing, which are centered on the approach of land mortgage. Based on the theoretical framework constructed in chapter 4, this study raises the concept of “land-centered financialization” to represent a broader area of local government behaviors in all major aspects of possible practical measures that can generate land-related income. The framework developed in chapter 4 divides the content area of land-centered financialization into four sub-components, each of which signifies one specific aspect of land-related income generation or expenditure saving. The area of concept of what Zhou F. (2007; 2010; 2012) termed as “land finance” becomes only one of these major aspects of land-centered financialization.

Even if there remains a divergence in terms of specific operational procedures and some of the institutional settings between the investigation results reflected in the municipal framework of land-centered financialization in chapter 5 and the theoretical framework of that in chapter 4, the previously presented data as the results of field work investigation through the case of city G proved the fundamental validity of this

framework in describing context-based scenarios of land-centered financialization (see chart 5.2).

In order to further discuss the deep significance of the context-based practices and approaches of land-centered financialization in city G, this section will focus on input-out analysis and the consequential resource exchange processes in each component in the municipal framework of land-centered financialization, with the assumption that the content area of the concept of “land-centered financialization” can be regarded as the financial dimension of the previously identified concept of “land-centered urban development”.

The context-based municipal practices illustrate that “component 1” and “component 2” in the framework are very likely to become inter-related stages which have mutually constituted the resource exchange process between local government and the evicted group of grass-root society, in which undervalued rural collective land are converted in to the key urban development resource controlled by the municipality at the expense of remunerating both the relevant grass-root society and the provincial authority who can legitimate this conversion. In terms of input-output analysis, component 2 has illustrated the process in which the municipality together with district governments outputting cleared rural collective land through investing the land expropriation cost which could mainly come from the engaged private sectors in state-private joint ventures into those state-led activities of rural land expropriation and residential resettlement. This land expropriation cost is paid in exchange for urban collective land parcels previously occupied by the evicted group of grass-root society, which made it a big concern for those evicted residents. Component 1 entails the process in which the municipality uses the output of component 1 as the major input resource together with stipulated land fees to strive for relevant provincial approval of legitimate rural-urban land conversions. From the perspective of local governments, what they really pay for in this process is centered on rural land resources and annual quota of rural-urban conversion, because the majority of

stipulated land fees come from those private sectors engaged in primary land market. Therefore, if both component 1 and component 2 are seen as an integrated process, it can be inferred from the relevant data that the actual financial expenditure from the municipality in this entire process is very limited. A significant reason for this is that the municipality in city G is equipped with many powers, measures and strategies to pass on their major possible expenditures to those private sectors who have shown their interest in either land-leasing activities or opportunities of state-private joint ventures in infrastructure construction. The outputs generated from these limited inputs through particular mechanism and activities are commercially valuable urban land parcels that can be either lease out to private sectors or used for requiring land mortgage loans.

From a local government perspective, the resource exchange process in both component 1 and 2, the potential value of the output resource generated by the municipality significantly outweighs the consequential financial expense actually paid by the municipality in city G. Considering this resource exchange process in both component 1 and 2 takes place between the municipality and the grassroots society of evicted residents, a question arises as to whether or not the former party's gain necessitates the consequential loss of the latter group. This will be analyzed through the later discussions from the perspective of evicted residents.

Another component in the framework of land centered urban development is the resource exchange process between local government and local private enterprises that participate in the primary land market. It is this particular stage that determines to what extent the municipality can actually benefit from leasing the output resource of component 1- urban state-owned land parcels to those local private sectors. The potential value of the urban state-owned land reserved by the municipality is transformed into real market value if there are multiple private companies competing for specific urban land parcels in the municipal primary land market. Because of the lack of market competition, a majority of land-leasing activities in City G are

completed at minimum land-leasing prices regulated by the municipality. Therefore, what the municipality gains from land leasing fee is supposed to be not as prominent as those land leasing fee received by other municipalities running with booming primary land markets. Considering that the output resource expended by the municipality remains the same, the input-output ratio achieved by the municipality in this component is not as financially productive as that in component 1 and 2.

Private organization that have paid land-leasing fees for the use-rights of those urban state-owned land parcels also need to pay various land-related taxes and administrative fees collected by different departmental bureaus under the municipality. This budgetary tax revenue and off-budgetary fee income are seen as important indicators that can indicate the local development conditions of those land-related industries centered on construction and real estate development. The relevant numerical data in chapter 5 demonstrated that all the relevant tax items received by the municipal MTB on behalf of the municipality show a sharply increasing trend from 2007 to 2013. This increase in budgetary tax revenue has successfully offset the possibly insufficient land leasing fees received by the municipality in the city. This is a finding in this study since it is different from many related scholarly arguments emphasizing the overwhelming significance of those off-budget land-related revenue sources centered on land-leasing fees.

There are two key processes of local government behaviors that made component 4 an indispensable element not only in the municipal process of land centered urban development in city G, but also for the entire operational framework of land-centered urban development. First and foremost, in order to enable state-funded investment companies to use qualified urban land parcels to require land mortgage loans from different banks, the municipality transfers some of the remaining urban land parcels which have not been leased out from the primary land market to these companies. This is a decisive step for the municipal plan of land-centered financialization in city G because it actually provides a way out of the problems of the depressed primary



land market in recent years and the consequential insufficient land leasing fees causing concern to the municipality. The lack of land leasing fee from the municipal primary land market means that not only a decrease of off-budget land-related income that can be collected by the municipality, but also the increased possibility in failing to accomplish the municipal annual plan of rural-urban land conversion. Because a majority of those annual stipulated land fees needed for rural-urban land conversion subsequently approved by provincial authority ultimately come from those private sectors who involved in the municipal primary land market.

The other aspect of local government behavior in component 4 is the process in which those state-funded investment companies use the land mortgage loans acquired from the bank to invest in the construction activities of urban infrastructure and then repay these loans through selling those urban land parcels of which the price has increased. This is like a corporate operation process, but it still can be regarded as local government behavior since all these companies are actually under the direct control of the municipality and the LMC. This process is indispensable for the municipal framework of land-centered urban development in city G since it signifies a substantial part of the driving force of urbanization in many small and medium-sized and prefecture-level cities like city G. In these cities, even though there has been an increasing trend of privatization featured by booming real estate industry and state-private joint ventures in urban infrastructure construction, the decisive power and a set of privileged measures in promoting urban development are still firmly controlled by local municipalities. Therefore, the basic nature of the municipal framework of land-centered urban development in city is still government-driven.

From the perspective of input-output analysis, the last component actually enables the municipality to exchange the collateral of those unused urban land parcels for large amounts of land mortgage loans from different banks. This is a definite low-risk investment since the possibility for the municipality to lose the collateral is very limited unless a local government debt crisis outbreak in specific regions in local

China. This zero-cost way to drive the engine of local urbanization is a privileged measure that can be exclusively adopted by local government only. Even though these city investment companies ultimately need to repay those large amount of bank loans, what they actually win for the municipality comprises not only the opportunities to create and update the necessary hardware facilities needed for urban development at little expense but also the appreciation potential of the regional price level of the surrounding urban land parcels nearby those urban infrastructures. The potential financial gain that will be collected by the municipality from these financially appreciated urban land parcels is hard to measure. From the perspective of financial loss & gain therefore, the input-output ratio that can be achieved by the municipality in this component is more likely to become the most productive among all four components in the municipal framework of land-centered financialization in city G. For concluding all the previously-identified aspects of input and output in each of the four components in the framework of land-centered financialization in city G, the table below raises the following comparative matrix:

**Table 6.1 The input-output matrix of different components in the framework of land-centered financialization**

	Government expenditure (expenditures)	Government gains (outputs)	Mechanisms & activities for the input-output link
Component 1	The output in component 2; Stipulated land fees submitted for rural-urban land conversion	Urban state-owned land approved by provincial authorities	Three stages of the Land purchase & reserve system
Component 2	Land expropriation cost (compensation fee, resettlement house provision, temporary resettlement fee)	Cleared rural collective land received by municipal land reservation scheme	Rural land expropriation & residential resettlement; State-private joint ventures
Component 3	The output in component 1	Financial Land leasing fees Land-related tax income Land-related admin-fees	Primary land market between government and private sectors
Component 4	A substantial part of the remaining urban land parcels not leased out in primary land market in components 3	Land mortgage loans used to invest in urban infrastructure construction	Implicit land transfer in primary land market

## **6.2 Context-based framework of residential resettlement: the perspective of grass-root evicted residents**

As mentioned previously, there are four major dimensions in terms of the context-based municipal framework of land-centered urban development in city G of which residential resettlement is only one. Since the stakeholders in the other three dimensions are all institutional players that are either local government bodies or private organizations, the only dimension that involves civic participation of grassroots society centered on the stakeholder group of evicted residents is residential resettlement. Therefore, in the context-based municipal framework of land-centered urban development in city G, residential resettlement is a unique dimension that can be analyzed from dual perspectives of both local government behavior and the evicted resident perspective. Since the previous passage has already discussed the research findings toward relevant local government behaviors in residential resettlement, in order to formulate a deeper understanding towards the municipal processes of land-centered urban development from another perspective, this section will discuss the research findings centered on those evicted residents' perceptions toward the practical situation of residential resettlement as a significant social consequence of land-centered urban development.

The narratives of both evicted rural and urban residents involved in a typical residential resettlement project in city G have already been summarized into two sets of principal themes and subsequent sub-themes. Based on the coding and theme-constructing process in chapter 5, these two sets of principal themes identified in chapter 5 are raised for the evicted groups of urban and rural residents respectively. This section will focus on drawing sound arguments through not only interpreting the implications of and connections among the principal themes in each set but also

comparing these two sets of themes.

### ***6.2.1 Implications of and interrelations among different themes for evicted urban residents***

This section will focus on interpreting the implications of unspecified areas in all the principal themes designated for the evicted urban residents only and analyzing the implicit connections among these themes. For the group of evicted urban residents, their overall satisfaction towards the specific resettlement arrangement for them is relatively lower than that of the group of rural residents. Major causes of this mainly include the content areas and factors under the principal theme 1, theme 2, and theme 3. Among these four principal themes, uneven benefit sharing can be regarded as the direct cause that has resulted in the intra-community conflicts among those urban residents whose households have received unequal benefits of residential resettlement arrangement. These intra-community conflicts were mainly centered on different treatments for those urban residents with or without the privilege of freely selecting specific apartment of resettlement housing in the housing distribution process. This uneven benefit sharing is not a cause of the mutual conflicts between the compensator on one side and the whole group of evicted urban residents on the other side, because the resettlement apartment distribution event has been implemented after the resettlement agreement between both sides through mutual bargaining was finalized. Essentials in the principal theme 2 can be regarded as the direct causes for part of the contents presented in the principal theme 3.

In order to explain the mutual conflicts between the compensator and evicted urban residents from the perspective of grass-root urban residents, it is necessary to ask what these urban residents actually care about for residential resettlement. In this regard, all sub-themes under the principal theme 4 can be considered as a set of unilateral factors determining whether or not these urban residents can be persuaded by the compensator and whether or not this mutual bargaining process will evolve into a

mutual conflict between evicted urban residents and the compensator. Thus an underlying cause-effect relationship has been identified between principal theme 4 and theme 3. The “unexpected relocation cost” afforded by these evicted urban residents should not be regarded as a direct cause of the possible mutual conflicts between the compensator and them. Instead, it is better to be regarded as a special situation caused by the prolonged transition period for resettlement housing construction, which has deeply dissatisfied these evicted urban residents when they moved into relocation housing to experience their post-relocation lives after reaching relocation agreement.

According to the above analysis on four of the eight principal themes identified for the group of evicted residents, their general attitude and emotion towards the specific arrangement of residential resettlement in XZ project is biased towards a more negative direction. A primary cause for the common dissatisfaction and negative emotions expressed by the informants on behalf of all the evicted urban residents is the depressed cost-benefit analysis based on not only the limited financial bonus and benefits that can be required through the process of residential resettlement but also the excessive relocation cost largely beyond their expectation as well as the slim household income, which disappointed people to the extent that nearly half of the informants thought that moving into the resettlement community did not benefit them at all. This argument is also supported by the essentials of the principal theme 2, 3, and 4. The essentials of principal theme 1 has further intensified their dissatisfaction and negative emotions with the overall resettlement arrangement as most of the informants blamed the compensator for this uncontrollable and unpredictable cost increase needed for the unintended life exchange caused by the compulsory resettlement event. From a functional perspective, among all eight themes identified for the group of evicted urban residents, the principal theme 1 is a relatively independent component that helps to explain the slightly depressed general atmosphere among the community group of urban residents involved in XZ project. The only principal theme that would be directly relevant to theme 1 is theme 8. Since

many of the evicted urban residents spent a lot of personal savings during the unexpected relocation, their post-relocation lives have not demonstrated significant improvement compared with their pre-relocation lives. Specifically, most young and middle-aged adults need to look for low wage jobs to at least contribute a share of income to their family households, and very few of them are financially capable of owning expensive personal belongings such as private cars.

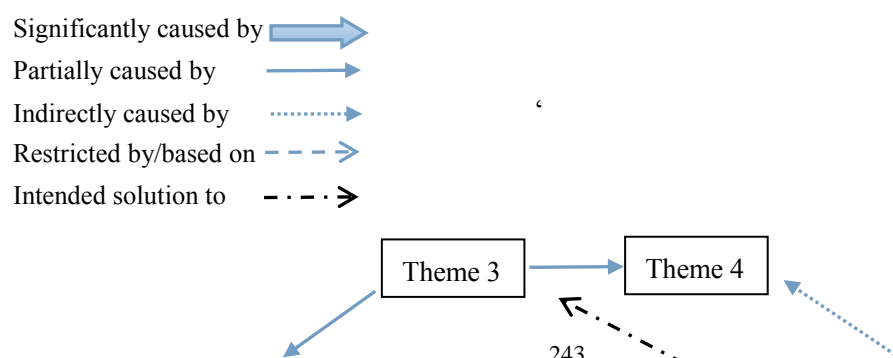
As with principal theme 4 and 3, the principal theme 5 and 7 also focus on the mutual bargaining process between the group of evicted urban residents and the compensator, which can determine specific compensation and benefits that would be received by those urban residents. The principal theme 5 signifies a set of strategies employed by both sides of stakeholders in negotiating the resettlement event and specific compensation for each family household. Even though the compensation standard was always fixed (relocation area exchange for the same demolished area but excessive part of area charges), the consequential specific compensation practices were not always consistent among different family households because of the “special treatment” for a series of factors centered on special family background and special social relation. The significance of specific strategies that can be adopted by evicted urban residents in striving for more benefits from the bargaining over compensation is not as well developed as that of special social connection and family background; nevertheless, as the more dominant side in this bargaining process, the compensator was much more resourceful in adopting different strategies that were proved to be productive in persuading the evicted urban residents to compromise. From the perspective of logical connections among themes, the essentials of theme 5 can be regarded as both sides’ intended solutions to their mutual conflicts covered by the principal theme 3. The formation and implementation of strategies by the evicted urban residents however, were largely restricted by many factors and variables under theme 4, 6, and 7.

The principal theme 7 signifies a specific mediation group together with the mediating

activities between the compensator and evicted urban residents. Even though this mediation group was established by representatives of the evicted urban residents, it functioned as the channel of strategy implementation for both sides of stakeholders, especially for the compensator, since the compensator knew well about the importance of soft skills in persuading those hesitating evicted residents by means of their neighbors' voices. This reflects a degree of interdependence between theme 7 and theme 5. Moreover, in the apartment distribution process, it was the activist mediation group that brought the freely selecting privilege only for a small part of those evicted urban residents, who either engaged in this mediation group or involved with the relationship network of its group members. The complex benefit-sharing mechanism built in theme 7 broke the balanced situation in many aspects. Theme 7 therefore, can be regarded as a significant cause for theme 2. Both the intra-community conflicts in theme 3 and the concerns over different apartment type in theme 4 can be seen as contributing effects caused by the mechanism in theme 7.

Factors in the principal theme 6 laid a foundation for all the relevant attitudes and behaviors of those evicted urban residents in not only protecting and striving for their benefits but also perceiving their post-relocation lives, which have been reflected in principal theme 3, 4, 5, and 8. Therefore, theme 6 can be regarded as an underlying facilitator and indirect cause for these four principal themes. The interrelations among all the 8 principal themes for the group of evicted urban residents involved in XZ project can be summarized into the following chart:

**Chart 6.1 A conceptual map of the interrelations among all the principal themes for evicted urban residents**







The biggest profit share of the internal benefit-sharing mechanism was taken by the contractor together with other village cadres within same interest group after they sold self-built resettlement apartments to either the compensator or those ordinary evicted rural residents who ask for excessive area of resettlement housing. The ordinary evicted rural residents however, can also benefit from these transactions because of the profit-making opportunity based on the low-price they spent on these apartments and the availability of selling them to other citizens or peasants outsider the village. Since the ordinary evicted rural residents never knew how much the village cadres actually earned from them, they were normally happy with these transactions. Apart from these profit-making opportunities, the ordinary evicted rural residents have also been compensated with the originally needed resettlement apartments with similar sizes to their previous houses demolished by the compensator. Because of the above reasons, ordinary evicted residents are generally satisfied with the internal benefit-sharing mechanism initiated by the compensator together with the village cadres. These are the essentials of the principal theme 2. It should be argued that all the profit-making and benefit-sharing opportunities for ordinary evicted rural residents are closely related to the privileged job of resettlement housing construction (principal theme 2 is significantly caused by theme 1).

The profit-making opportunities revealed in the principal theme 2 can be seen as effective solutions to the advantage-taking expectations of ordinary evicted rural residents (part of essentials in the principal theme 2 can be seen as the solution to part of essentials in theme 4). Apart from the prevalent concerns over explicit and implicit financial gains, especially to what extent they can actually benefit from the resettlement event, the ordinary evicted rural residents also care about increasing residential needs of their growing family members as well as the distance between the resettlement site and their familiar residential environment. These factors under principal theme 4 can be regarded as part of the underlying reasons behind the major conflicts described in the principal theme 3. In order to address these mutual conflicts between the compensator and ordinary evicted rural residents, a series of strategies

and countermeasures have been adopted by both sides intended to pressure the opposite side towards compromise. Thus the essentials of the principal theme 5 can be seen as intended solutions to part of the essentials of principal theme 3.

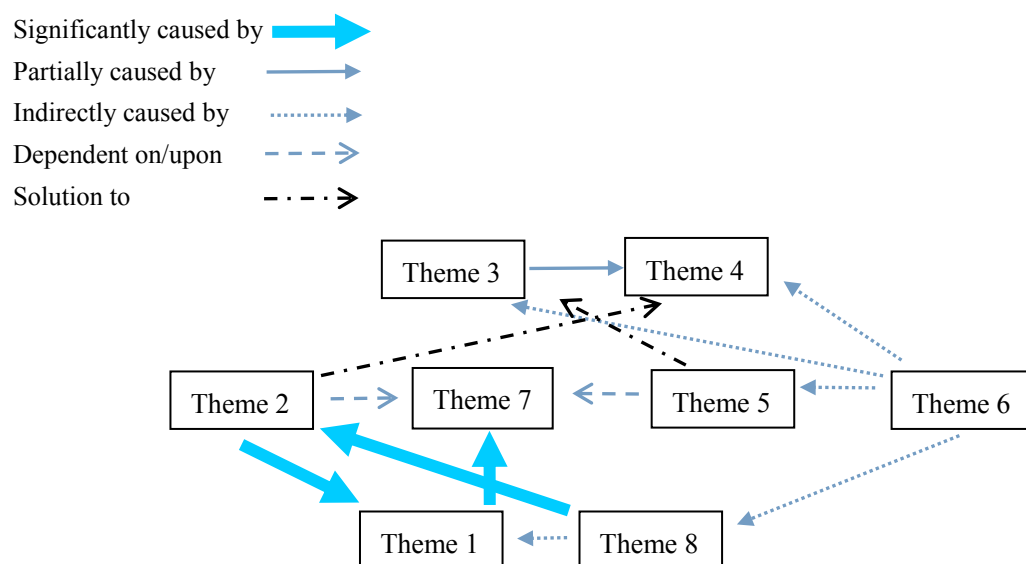
Similar to the function of principal theme 6 for evicted urban residents, the principal theme 6 for ordinary evicted rural residents include a set of factors indirectly determining the attitudes and behaviors of these rural residents in not only protecting and striving for their benefits but also perceiving their post-relocation lives, which have been reflected in principal theme 3, 4, 5, and 8. The principal theme 7 emphasizes the significance of different levels of village cadres and representatives in influencing the attitudes and behaviors of ordinary rural residents. It is impossible for the compensator to implement any resettlement and construction plan if bypassing these influential, powerful, and sophisticated local village cadres. This can be regarded as a significant cause of why the compensator must provide profit-making opportunity (the privileged job) to them (theme 7 can be regarded as a significant cause for theme 1).

The three levels of personnel of these local village cadres have constituted the fundamental political structure of normal villages in city G, which plays a vital role in bridging local grass-root governments and ordinary rural residents. Each level of personnel represents for different voices and interests of different stakeholder groups including both advantaged and disadvantaged villagers. Therefore, the internal benefit-sharing mechanism emphasized by the principal theme 2 has also been dominated and manipulated by these people as the fundamental interest units in the village (part of essentials in principal theme 2 is dependent upon part of essentials in theme 7). The role of village-level cadres is more like the role of the “activist group” of the evicted urban residents, which seems more inclined to care about accomplishing the compensator’s resettlement plan through mediating both sides. This explains why compensator’s persuasion strategies has been largely dependent on the role influence of village-level cadres (part of essentials in principal theme 5 is

dependent on part of essentials in theme 7). Voices and requirements from ordinary villagers can be advocated by villager representatives and group-level village cadres, both of whom are eligible to participate in the mutual negotiation process over compensation and resettlement arrangement.

The essentials of principal theme 8 reflect the general positive attitudes of all the evicted villagers on their respective losses and gains because of the specific resettlement arrangement, which contribute to the harmonious intra-community atmosphere of the resettlement community. This is largely due to the internal benefit-sharing mechanism that satisfied the majority of them (A significant cause of principal 8 is theme 2). Another cause is the obtaining of the privileged job taken by the selected contractor (An indirect cause of principal theme 8 is theme 1). To conclude, the interrelations among all the 8 principal themes for the evicted rural residents involved in XZ project can be summarized into the following chart:

**Chart 6.2 A thinking map about the interrelations among all the principal themes for evicted rural residents**



### 6.2.3 Comparison between the two sets of themes

In order to analyze the similarities and differences between specific relocation

processes of different resettlement communities, a comparison will be made between the above two sets of principal themes designated for the evicted urban and rural residents, respectively. Similar forms, patterns, and structures for most parts of these two sets of principal themes contribute to the possibility of making well-organized comparison.

For the group of evicted rural residents, their overall satisfaction towards the specific resettlement arrangement is higher than that of the group of evicted urban residents. In this regard, a notable research finding is that none of the purposively-selected informants of these evicted rural residents expressed complaints about either the resettlement arrangement or the compensation amount for them during the whole field work period. Considering the similar regulated compensation standards between the two community groups of evicted residents as well as the similar persuading strategies adopted by the same compensator who was faced with these two groups of evicted residents, a key reason contributes to a higher satisfaction of evicted rural residents is that they are normally more demanding and resourceful than that of evicted urban residents during the process of mutual negotiation bargaining over resettlement arrangement and compensation.

Based on relevant data gathered during the fieldwork, it can be inferred that a lower satisfaction of the evicted urban residents is due to not only the limited financial bonus and benefits that can be required through the process of residential resettlement, but also the excessive relocation cost largely beyond their expectation as well as the slim household income received by majority of them all along. Compared with these evicted urban resident, ordinary evicted rural residents also need to afford a set of relocation cost centered on expenditures of apartment decoration and furniture buying, which are similar to the situation of evicted urban residents. None of the informants from ordinary evicted rural residents however, raised the issue of relocation cost during the in-depth interviews. According to the local village cadres, this is because what these rural residents obtained from the resettlement event can easily offset the relocation cost. In fact, the actual benefits obtained by ordinary evicted rural residents

from the resettlement event are much more fruitful than those obtained by ordinary evicted urban residents. According to relevant data presented in chapter 5, even the regulated compensation standards for both community groups of evicted residents are similar, ordinary rural residents were able to benefit from the profit chain originated from the privileged job of resettlement housing construction, which can be regarded as a special bonus brought by the resettlement event. This is not, however, available for evicted rural residents.

Apart from the extra-bonus led by the privileged job of resettlement housing construction, there are other reasons why evicted rural residents got much more compensation than evicted rural residents from a resettlement event. Compared to those evicted urban residents, the evicted rural residents were equipped with more assets like farmlands, pools, paddy fields, unused rural land areas, or even unapproved buildings. Because of these assets, evicted rural residents are able to obtain a substantial amount of extra-compensation apart from the regulated compensation (relocation area exchange for the same demolished area but excessive part of area charges) that can be received by both the evicted rural and urban residents. The community group of evicted urban residents did not however, have much to protect themselves apart from unapproved buildings. Based on the fieldwork observation, even the most disadvantaged rural residential households have more resources to bargain than those ordinary evicted urban residents.

Another dimension of inter-community differences between the two community groups of evicted residents is the contrast in their ideologies, characteristics, and the consequential strategies to strive for compensation. It can be concluded from the relevant data in chapter 5 that the evicted rural residents are more aggressive, uncompromising, and united against the strategies and intentions of the compensator. In contrast, the evicted urban residents are easier to persuade and reach a compromise with the compensator. This contrast can be regarded as an underlying and indirect cause why evicted rural residents were able to obtain much more material and

financial benefits than evicted rural residents from a resettlement event.

A fundamental structural difference between the two community groups of evicted residents is in self-governance. Faced with the resettlement event of XZ project, majorities of both the evicted rural and urban residents seemed at first inclined to rely on their respective autonomous systems. In this regard, what the evicted rural resident have is a long-lasting stable political structure that contains three-levels of cadres representing for different voices from villagers with different family backgrounds and income levels. What the evicted urban residents have however, is just a temporary activist group striving for the benefits of a minority of community members who contributed to their mediating efforts with the compensator. The autonomous system of evicted rural residents is much more inseparable, prestigious, and productive than that of ordinary evicted urban residents. Based on the post-resettlement narratives described by informants, the temporary activist group evolved into a direct cause of the intra-community conflicts between those who have participated in or involved with it and those who have not. It is not difficult to explain why a majority of the evicted urban residents finally lose all of their confidences in this mediation group.

Generally speaking, any state-led resettlement event in prefecture-level cities like city G will involve either urban or rural residents. There have been always advantaged and disadvantaged groups of people living in their respective residential communities before and after a resettlement project. The social and economic positions of these people within the same residential community are not easily changed through a resettlement event. During a resettlement event, the most important stage for the benefits of both evicted rural and urban residents is the process of mutual negotiation and bargaining over compensation and resettlement arrangement between the compensator and them. In the municipal context of city G, rural village cadres has been the group that benefited the most among all the stakeholders during this process, even compared with the compensator. Under specific circumstances, both evicted rural and urban residents can become the winners of this ‘game’ even facing powerful

opponents (in the case of XZ project in city G, the compensator is actually the alliance of the municipality, XZ district government, and the CH company), if they are resourceful and influential enough. Compared with evicted rural residents however, evicted urban residents are more likely to become the vulnerable group in this bargaining process of resettlement event, especially for those obedient urban residents and low risk-takers.

## **Chapter 7**

### **Conclusion**

#### **7.1 Summary of key research findings and their implications**

Chapter 5 and 6 have demonstrated a series of complicated research findings centered on three key content areas: significance of context-based institutional settings in municipal process of land-centered urban development from local government perspective, context-based arrangements of resident relocation through specific way of benefit-sharing through the perspective of evicted residents, and context-based municipal process of land-centered financialization from local government perspective. The key research findings of this study therefore, will be summarized based on the divisions of these three aspects. For each set of key research findings, the respective implications subsequently discussed in chapter 6 will be further explored.

First, the context-based institutional framework of land-centered urban development in prefecture-level cities is comprised of three main sets of institutional players under the municipality- relevant departmental bureaus, district governments, and state-funded investment companies. Apart from a set of commonly established municipal department bureaus in local China, such MTB, MFB, MAB, BUP, BHUC, HPB, BLR and state-funded city investment companies, specific functions and roles of other institutional players are largely based on particular institutional settings and arrangements that can vary in content from context to context. These particular context-based institutional settings are often based on special strategic concerns, historical reasons, context-embedded scenarios, and political causes, any of which can be unique to specific municipal context. In the case of city G, instances of these special institutional settings include the recasting powers in LRC, LMC, and district governments, as well as the institutional initiatives of MOR and ACR. Their



respective roles and functions were elaborated in chapter 5. These bodies all play significant roles in the different dimensions of the municipal framework of land-centered urban development. Specifically, LMC plays the decisive role in the majority of dimensions including land purchase & reserve system, land-centered financialization, and land market management. LRC is not only the implementer of land purchase & reserve system and primary land market operation, but also an important participant in land-centered financialization as it often uses the reserved land under its control as loan mortgage. Instead of any subordinate agencies affiliated to the municipal government, district-level governments are the implementers of rural land expropriation and housing demolition in city G. MOR is the special government agency for completing all administrative procedures related to resident relocation.

These context-based special institutions cannot function effectively without the collaborative efforts by those commonly established municipal department bureaus. Therefore, from the perspective of local government behavior, prefecture-level cities' municipal processes of land-centered urban development are normally determined by individual functions of and collaborative efforts between context-based and commonly-established local institutional settings.

Second, for local government bodies, their imperative expenditure in residential resettlement resulted from state-led urban infrastructure construction is largely financed by private companies when state-private joint ventures are adopted. In the case of XZ project in city G, what CH company obtained from the XZ district government and the municipality is a specially privileged land-leasing price of a specific urban land parcel which can be used to initiate real estate development project. Through this approach, CH company saved a substantial part of the project development cost. From the perspective of local government bodies, their incentive behind the establishments of various state-private joint ventures is always involved with saving government expenditure, while the ultimate outcome led by these state-private joint ventures in the context of city G is a win-win situation in

cost-saving for both local government bodies and private sectors.

Large numbers of urban and rural residents are likely to be influenced by the resettlement event initiated by the collaborative efforts of local government bodies and private companies. From the perspective of these evicted residents, under normal circumstances, they are often required by the compensator to move away from their original residential places to designated resettlement sites. This does not, however, mean that these evicted residents are always the disadvantaged group in the benefit redistributing process of specific urban development project. The case of XZ project in city G revealed that rural residents lived in peri-urban areas are often well-organized, resourceful, and sophisticated in the compensation-bargaining process, which is on the opposite of the research findings of much of the present literature. Most of these rural residents have much more bargaining resources than the evicted urban residents and are very likely to significantly benefit from a resettlement event, especially for those rural village cadres who are able to deal with the compensator. As for the evicted urban residents, what they are able to obtain from a resettlement event is not as fruitful as that can be required by evicted rural residents. Nevertheless, what the evicted urban residents often lose from a resettlement event is also not as serious as those described in the relevant literature. A minority of the community group of evicted urban residents in XZ project are still able to benefit from the resettlement arrangement by means of being the mediator between the compensator and ordinary evicted urban residents who are reluctant to move.

Third, in the case of city G, the municipal process of land-centered financialization comprises four different components. Among them, component 1 and component 2 are interrelated as they have mutually constituted an entire procedure of land-developing business dominated by municipal government. During this procedure, municipal government is able to bring about legitimized rural-urban conversion through paying stipulated land fees needed for provincial approval, and the municipal government can consequently initiate land leasing activities by means of primary land

market. This operational model lays the foundation for state-led urban capital accumulation in most prefecture-level cities in local China. Also from the perspective of prefecture-leveled municipality's income and expense, component 3 signifies all possible tax income sources that can be collected by the municipality through either land leasing & transfer or land-based development chain centered on urban construction and real estate industry. The total amount of these land-related in-budget incomes has demonstrated a increasing trend from 2007 to 2013. Unlike the research findings and consequent arguments of Zhou F (2012), the municipal revenue of city G relies more on land-related taxes rather than land-related fees.

As for the most productive instrument of municipal practices of land-centered financialization—land mortgage—the relevant municipal institutional settings and operational procedures in the case of city G are similar to those in other places as investigated by Zhou F (2012). It can be summarized that the significance of land-centered financialization in municipal process of land-centered urban development has been mainly reflected in the use of land mortgage loans in urban infrastructure construction (mainly centered on urban roads), which can be regarded as a basic driving force for the increase of urban land price. This is the reason why Chinese local governments are still heavily dependent on dominating urban infrastructure construction through manipulating city investment companies under their wings. Moreover, a notable research finding from the case of city G is that a substantial part of urban land parcels has been “donated” by the municipality to state-funded city investment companies under its control because the supply of urban land parcels came from rural-urban land conversion has significantly exceeded the demand in primary land market in the past few years. Even though more and more urban land parcels have been passively received by those state-funded investment companies (see table 5.8), the consequent land mortgage loans that they were supposed to be able to obtain through mortgaging these urban land parcels demonstrated a decreasing trend (see table 5.9), which is an interesting point needs for further exploration. Considering the national cool down in the real estate markets of

many small-medium sized cities in local China, the phenomenon represented by this new research finding may not be a context-based scenario only existing in a few prefecture-level cities.

Also because of the land market downturn, only a few urban land parcels listed by LRC in the municipal primary land market can be leased out at premium. This is to say, for more than 90% of land use right transactions between the LRC and land users in the case city G, their final transaction prices are equal to their starting prices, which signify the minimum standard of land leasing price that can be accepted by the municipality. Ultimately, these market-based land leasing modes such as bidding and auction are merely symbolic, as the municipal primary land market in the case city G has been non-competitive in recent years, while the overwhelming majority of land leasing deals have been made through mutual agreements prior to formal dealing procedures in primary land market. This specific phenomenon actually has little to do with corruption, close-door negotiation, and non-transparent internal deals. Making land leasing deals through mutual agreements rather than transparent competition is not an original intent of local government in city G since all the key informants from 8 relevant local bureaus expressed a consistent and urgent expectation towards the rise of urban land price through multiple land users' bids in competition, which needs the revival of municipal land market and local real estate industry.

## **7.2 Theoretical reflections**

This study is strongly influenced by Zhou's theoretical assumptions and arguments toward the behavior model of local government in the era of China's urbanization. Through the in-depth case study towards the land-centered development model of urban reconstruction, financialization, and resident relocation in prefecture-level city, this study has reassured and expanded two of Zhou (2012)'s theoretical assumptions.

First, the urban development model in local China, which has been currently adopted to pursue the development goals of urban expansion, rural landscape transformation,

and construction-based GDP growth, is heavily relied on local government's land-centered operational measures comprising land expropriation, development, and leasing (Zhou, 2012). This point has been reassured by the research findings of this study. Zhou (2012) have divided local governments' land-centered operative measures into two major categories- financial approaches and political administrative measures, but the connections between the specific areas in which these two different approaches being adopted are not concretized by Zhou's works. On this regard, this study has further expanded Zhou's perspective by providing the framework consists of the 4 components that demonstrate how different government measures are interrelated to realize the land-centered developmental goals.

Second, to realize the urban development purposes above, the government behavior mode in local China is featured by the tendency of "government corporatization" (Zhou, 2012: 248) or what Oi (1995; 1998) and Walder (1993, 1995) conceptualized as "local state corporatism". The study has consolidated this argument by drawing conclusions on the financial behavioral incentives of local government and the state-private joint venture the government has adopted. There are different focuses between Zhou (2012)'s arguments and the research findings, on specific interpretations toward the incentive of "government corporatization". Zhou (2012) argued that the political incentive of individual promotion is the root cause behind the corporatized government behavior of "goal-oriented" political performance tournament. This thesis has further expanded Zhou's perspective by exploring the cost-revenue perspective behind the government behavior of conducting massive urban construction and resident relocation.

The 4-components framework of land-centered financialization has identified 4 different stages, namely, expenditures in land acquisition, rural-urban land conversion, land-leasing, and land financing, for summarizing the land-oriented revenue-generating chain of local government. Among these inter-related stages, the detailed processes in land-leasing and land financing have been elaborated by

well-noted scholars (McGee, 2007; Zhou, 2007; 2010; 2012; Hsing, 2010), activities of resident relocation as the indispensable aftermath disposal of land acquisition also have been well documented by extant literatures (Wu, 2003; He & Wu, 2009; Hsing, 2010), especially from the perspective of evicted residents. Nevertheless, few studies have seen resident relocation and compensation as a significant source of expenditure afforded by government in order to start the land-entered revenue-generating business, from the cost-saving perspective of local government. This study found the cause-consequence relations between the adoption of state-private collaborative efforts in funding relocation construction and the cost-saving strategy of local government in reducing relevant public expenditures. These research findings make up for the theoretical shortfall in analyzing the cost-saving dimension of the government behavioral model in steering land-centered urban development in local China.

Another area in which this study has contributed to the theoretical realm is the exploration of the context-based benefit-sharing mechanism in which different stakeholders make agreements to enable the construction of development projects. The study found that local municipal government at prefecture-level need to share its benefit generated from land-centered urban development initiatives with attached district governments and private developers, in order to effectively drive subordinate implementer to launch land acquisition and to save development-related government expense, respectively. The inter-sectoral benefit-exchanging routes between government and private developer, the sophisticated superior-subordinate relations within government sector, and the historical context-based scenarios attached are proved to be significant drivers of the behavior of municipal government in urban development activities. These have supplemented Zhou (2012)'s arguments in interpreting local government behavior solely from fiscal and political perspectives.

Benefit-sharing process between local government and evicted residents are well-noted by extant literatures, with the prominent tendency that many scholars (Ren;

2006; Feng, 2007; Li & Song, 2009) focused on the disadvantaged position of local evicted residents in receiving unequal compensation and resident relocation arrangement. This study has confirmed that some of these evicted residents did not behave passively to accept the terms of compensation and relocation arrangements proposed by compensator. On the contrary, they have been experienced in using varieties of bargaining chips, strategies, and collective power to protect their benefits and rightful compensation. These have enriched the literatures in related theoretical realm.

Finally, in numerous previous studies on residents living in local peri-urban or urban-rural fringe areas in China facing demolition-eviction or resettlement arrangements as a result of local governments or state-private joint development ventures, they were normally portrayed as the ultimate losers because in most cases they failed to receive fair compensations from the local authorities. However, based on what is found in this case study, these evicted rural residents living in peri-urban areas did not end up becoming the losers because they had learned well from others' experiences and developed their own strategies in dealing with the challenges they faced. They learned to become organized, pulling their resources together and developed ways to strengthen their position in negotiating with the local authorities to bargain for the best protection they could obtain. On the contrary, it was the other group of evicted residents, those living in the urban fringe area received less compensations. This was because they only lived in very small apartments in their original habitat, and their land value was low. Not surprisingly most of them received less compensation payments than their rural counterpart. However, a small number of privileged evictees with the right connections did received remarkable extra benefits. It is in these contexts the present study has contributed a different theoretical layer to the field.

### **7.3 Discussions over data validity and self-reflexivity**

Apart from the numeric data presented in those relevant tables (from table 5.5 to table 5.9) in chapter 5, other qualitative research findings are all based on specific perspectives and interpretations of the research informants. Therefore, the type of data validity in this study is more inclined to interpretive validity. In order to analyze this validity, it is necessary to discuss more about the conditions of the informants as well as self-reflexivity of the researcher.

The first concern for the validity of this study is involved with the accuracy of the interpretive accounts from the emic perspective of all the research informants under this study (Creswell, 2009). The participants' interpretive accounts are based as much as possible on their own words, concepts, and language. The degree of validity is largely determined by the specific extent that the original data of these interpretive accounts are descriptively presented by the researcher (Cho & Trent, 2006).

A majority of informants' own language and opinions about the researched phenomena are kept even narrative summary and coding were used as data analyzing techniques. As data analyzing results, many of the key principal themes are named after part of the original words and concepts expressed by the research informants, such as "resettlement cost", "benefit-sharing", "characteristics of villagers", and "historical reasons". It can be argued that most of the research informants under this study were able to summarize their meanings and particular opinions on the specific researched phenomena which seemed to be very familiar to them. In terms of the internal consistency of the qualitative data collected in this study, all of the objects, events, behaviors, and situations contained in the raw data can be completely explained by the narratives and interpretations of the research informants. The key content areas and sub-themes under the principal themes are identified based on the consistent part of narratives and statements among different research informants.

Another dimension of validity is the researcher's competence in terms of representing



the words, concepts, language, and meanings expressed by the research informants. Before this study, I've been experienced in conducting in-depth interviews. I've also known about people's local language, culture, custom, and interpersonal communication mode of the research site. All these conditions have helped to facilitate the way I conducted in-depth interview, the way I collected data, and the way I made inferences from raw data. But I think the most important dimension of a researcher's competence in acquiring valid qualitative data for such a research topic has little to do with personal qualities of the researcher, instead, it is largely based on many uncontrollable factors centered on not only the relationship between the researcher and the informants, but also the informant's inner struggles balancing the potential risk of telling truths and the possible irrelevance between truth-telling and their current statuses. As the researcher of this study, even I know very well about those "primary informants" who have introduced me to other informants, it remains difficult to guarantee the authenticity of the narratives described by those informants who did not know me until the primary informants made me known, not to mention the possible considerations over their inner struggles. But a positive thing in this regard is that all the primary informants have very good personal reputations within their local social networks, so their personal influences were very likely to increase other informants' degree of trusts in me.

In order to facilitate data collection, the researcher has explored the most appropriate roles compatible to different research scenarios. The role of researcher varies among the research processes in which different methods of data generation were adopted, and in which different research participants were involved. When conducting documentary research and in-depth interview with government officials, the researcher acted as an office intern and trainee who have been unexperienced, modest, and eager to learn from the advices from the interview participants in the government circle. When interviewing the evicted residents, the researcher acted as a local resident who were familiar with the community neighborhood and have social connections nearby, this is to indicate the evicted residents that the researcher is one

of them, rather than any other stakeholders. When using personal observation and communication to further check data validity and reliability, the role of researcher was more like a reticent onlooker rather than a direct participant, this is to minimize any potential disturbances that may affect the original intentions, ideas, and meanings expressed by the research informants.

The last concern relating to validity refers to the choice of research informants. As mentioned in chapter three, because of the pre-study concern over research availability for such a research topic, all of the research informants come from a specific prefecture-level city which has been purposively-chosen for the familiar social contexts and interpersonal networks which are both indispensable to such a research topic. This has already established a limit of data validity for the researched issues under this particular study. The convenience sampling strategy adopted for the process of informants-choosing has given rise to another limit of data validity since this strategy allows the researcher to purposively recruit research informants that were most easily accessible for him. This can lead to certain extent of bias in choosing a statistically valid sample of research informants. Due to the sensitive nature of the research however, the researcher often has no choice but need to rely on snowball sampling approaches to find informants who are willing to participate. This is a dilemma that needs to be resolved, or further explored by future research on a similar topic.

## Appendix A: List of interviewees and corresponding interview questions

Numbers of interviews conducted	Numbers of informant	Occupations & backgrounds of informants	Focuses of the interview questions
		<b>Relevant local officials:</b>	
8	1	Director and staff members from the MOR	<p>1. Project details including the following aspects: General contextual backgrounds of XZ relocation project; Details in project funding and operation; The legitimizing process in project-related land issues; The original causes and facilitators which led to the emergence of state-private collaboration; The specific collaborating mode together with the benefit-sharing process between local government and CH company;</p>
1	1	Official from land resource bureau	
1	1	Official from land reserve center	
1	1	Official from municipal development and reform commission	
1	1	Official from finance bureau	
1	1	Official from local tax bureau	
1	1	Official from urban & rural planning bureau	<p>2. Local conditions in terms of the following aspects: government in-budget tax revenue and public expenditure; urban planning, development, and residential relocation; land sales, land finance, and land mortgage; The reliance of urban development on land-centered financialization; The appropriateness and adaptiveness of the existing relevant local legal regulations; The influence of the local political climate and routines on urban development</p>
		<b>Relevant local rural and urban residents:</b>	
3	3	Relevant local village cadres involved with XZ project	<p>Major factors of consideration in negotiating the compensation terms with local government (village cadres are the negotiators representing for the evicted rural residents); The key points of contention between evicted rural residents and local government in the negotiating process; The determinants that facilitated the final agreement of the negotiation; The possibility of emerging nail households; The nature, ownership, and investing and operating</p>

			mode of the residential resettlement housing; Other details of the residential resettlement.
10	10	Relevant local rural residents involved with XZ project	Life changes because of residential resettlement of XZ project; Major causes leading them to sign the official agreement of demolition, compensation, and relocation;
20	20	Relevant local urban residents involved with XZ project	Major factors of consideration in claiming for more compensation items; Major tactics in coping with governments' demolition initiatives; Approach and forms of resistances and corresponding outcomes; Other details of the residential resettlement

## Appendix B: List of Archive Documents

### 第一部分：相关的国家级法律，行政法规与部门规章

法律(法规)名称	文号（或官方链接）	实施日期
《城市房地产管理法》	中华人民共和国主席令第 29 号	1995/01/01
《物权法》	中华人民共和国主席令第 62 号	2007/10/01
《城镇国有土地使用权出让和转让暂行条例》	国务院令第 55 号	1995/05/19
《土地管理法》	国务院令第 256 号	1999/01/01
《城市房屋拆迁管理条例》	国务院令第 305 号	2001/11/01
《国有土地上房屋征收与补偿条例》	国务院令第 590 号	2011/01/21
《房屋建筑和市政基础设施工程施工招标投标管理办法》	中华人民共和国建设部令第 89 号	2001/06/01
《招标拍卖挂牌出让国有建设用地使用权规定》	国土资源部令第 39 号	2007/11/01
《土地储备管理办法》	国土资发[2007] 277 号	2007/11/19
《闲置土地处置办法》	国土资源部令第 53 号	2012/07/01
《建设用地审查报批管理办法》	国土资源部第 3 号令	1999/03/02
国务院关于国土资源部《报国务院批准的建设用地审查办法》的批复	国函 [1999] 131 号	1999/10/22

### 第二部分：相关省级法规、政策与条例

法律(法规)名称	制定机关	实施日期
《XX 省城镇划拨土地使用权管理条例》	省人大	1997/01/24
XX 省实施《中华人民共和国土地管理法》办法	省人大	2012/03/31
《XX 省国土资源厅关于调整和优化建设用地审查报批工作的通知》	省国土资源厅	2014/08/08
《XX 省建设用地预审管理办法》	省国土资源厅	2013/12/03
《XX 省新增建设用地和征用土地预审管理办法》	省国土资源厅	2001/01/01

### 第三部分：XX 市地方政府相关法律法规、机关文件、档案与资料

文件（档案）名称	发文机关	发布时间
《XX 市集体土地上房屋拆迁补偿安置办法》	XX 市人民政府	2010/02/09
《XX 市国有土地上房屋征收与补偿暂行办法》	XX 市人民政府	2011/12/17
《XX 市城市规划区村民住房和拆迁安置房建设管理办法》	XX 市人民政府	2012/03/26
XZ 区拆迁安置房建设汇报材料	XX 市 XZ 区人民政府	2014
XZ 区政府对于区内各安置房建设项目的审议意见	XX 市 XZ 区人民政府	2014
XZ 征地拆迁安置房项目资金调整表、财务收支表、土地价格测算表、以及 XZ 区政府的意见	XX 市 XZ 区人民政府	2014
XZ 重点工程项目安置户情况一览表	XX 市 XZ 区人民政府	2014
村民建房管理办法建议	XX 市 XZ 区人民政府	2014
XX 市城区既有村民住房合法性鉴别与处理办法（试行）（会议讨论稿）	XX 市拆迁安置领导小组办公室	2014
XZ 区既有安置房的处理意见	XX 市拆迁安置领导小组办公室	2014
XZ 区拆迁安置房建设汇报材料	XX 市拆迁安置领导小组办公室	2014/02/23
XX 市安置房办工作情况汇报	XX 市拆迁安置领导小组办公室	2014/02/28
XX 市政府投资项目征地拆迁安置情况汇总表	XX 市拆迁安置领导小组办公室	2014/3/20
XX 市政府投资项目和非政府投资项目征地拆迁安置情况汇总表	XX 市拆迁安置领导小组办公室	2014/3/21
XX 市城区土地征收土地拆迁安置房权证办理历史遗留问题处理意见	XX 市拆迁安置领导小组办公室	2014/03/25

关于XZ征地拆迁安置房建设项目遗留问题核查的报告	XX市拆迁安置领导小组办公室	2014/04/15
关于进一步明确村民住房管理工作有关事项的通知（会议讨论稿）	XX市拆迁安置领导小组办公室	2014/06/22
关于XZ征地拆迁安置房建设项目遗留问题的审议意见	XX市拆迁安置领导小组办公室	2014/07/30
关于四城区内安置房项目审议基本情况的汇报	XX市拆迁安置领导小组办公室	2014/08/14
XX市征地拆迁安置房建设审批委员会第（一）次至第（十）次会议待议项目一览表	XX市征地拆迁安置房建设审批委员会	2014
XX市征地拆迁安置房建设审批委员会会议议程与审议资料目录	XX市征地拆迁安置房建设审批委员会	2014
XX市城区 2004 年至今安置房建设项目一览	XX市住房与城乡建设局	2014/02/24

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