

## Property and Politics in China

If the land problem can be solved, one half of the problem of livelihood will be solved.

Sun Yatsen (1924)<sup>1</sup>

Whoever wins the peasants will win China. Whoever solves the land problem will win the peasants.

Mao Zedong (1936)<sup>2</sup>

### INTRODUCTION

The vast majority of political and economic change in China during the past century can be understood as a series of land reforms. As the preceding epigraphs from two of the most recognizable twentieth-century political figures indicate, power to make rules about who controls land is at the heart of political contestation in China. Mao Zedong and the Chinese Communist Party (CCP) assumed their positions at the helm in 1949 after decades of rural insurgence, occupying parts of the countryside and then carrying out land reforms that redistributed land to peasants in an effort to win political support and to foment class struggle as the primary axis of conflict in Chinese society. Largely for the same reasons, national implementation of land reform was the paramount task of the new regime once in power.<sup>3</sup> Thirty years later, approval of another land reform – decollectivization – once again signaled a sea change in Chinese politics. The land reform that generated the resumption of family

<sup>1</sup> Sun Yatsen, *Three Principles of the People* (Taipei: China Publishing Company, 1964), 179.

<sup>2</sup> Quoted in Edgar Snow, *Red Star over China* (New York: Grove Press, 1961), 70.

<sup>3</sup> Vivienne Shue, *Peasant China in Transition: The Dynamics of Development toward Socialism, 1949–1956* (Berkeley: University of California Press, 1980).

farming in the 1970s and early 1980s introduced markets in goods and labor in rural China, setting the stage for reforms that would transform the country from a planned economy to an economy characterized by “socialism with market characteristics.”

This book is about another land reform, and one that is currently far less understood: the commodification of land that began in the 1980s. According to Article 10 of the Constitution of the People’s Republic of China (PRC), all urban land is owned by the state *guoyou*, (国有) and all rural land is owned by the collective (*jiti*, 集体).<sup>4</sup> Prior to 1986, land-use rights were allocated by urban or village governments to state units or farmers essentially free of charge. In 1988, however, a revision to the Land Management Law separated ownership rights from use rights, permitting landowners to lease land-use rights for fixed terms in exchange for capital in the form of land-use fees.<sup>5</sup> For the first time in PRC history land markets of some kind were legal in both rural and urban China.

Land and real-estate investment and development have become indispensable to Chinese economic growth in the years since 1988, yet Chinese property rights institutions bear no resemblance to the types of institutions lauded by Western social scientists and policy-makers as requisite for growth. Though capital and labor have mostly been privatized, land in urban China is still owned by the state and land in rural China is owned by the collectives. Despite the seeming stasis of national-level formal property rights institutions, the informal rules governing property and land development have been subject to intense political negotiation both at the lower levels of the Chinese state and at the center. In this book I examine property rights practices as they emerged during the process of the economic reforms undertaken since the 1980s in urban China.

In political science and related fields, most studies of the emergence of property rights examine the national level over the *longue durée*. As such, these studies focus primarily on how changes in property rights institutions produce changes in economic and political behavior at the very macrolevels. Typically, these studies are narratives about the centrality of property rights institutions in the emergence of “modern” forms of economic and political organization,

<sup>4</sup> The “collective” generally refers to the unit of organization in Chinese villages during the Maoist era. Decision making in rural China was concentrated in village teams, which were generally based on “natural villages” as they existed prior to 1949, and on “administrative villages,” a group of teams united in a production brigade during the Maoist era. In general, since the 1990s the administrative village, typically referred to as the “village,” makes decisions about land allocations. See You-tien Hsing, *The Great Urban Transformation: Politics of Land and Property in China* (Oxford: Oxford University Press, 2010), 134, 148n26, n27; Qin Hui, *Nongmin Zhongguo: Lishi fansi yu xianshi xuanze* (Peasant China: Historical Reflections and Practical Choices) (Zhengzhou: Henan renmin chubanshe, 2003).

<sup>5</sup> On the mechanics of land allocations and transfers before and after the 1986 law, see Samuel P. S. Ho and George C. S. Lin, “Emerging Land Markets in Rural and Urban China: Policies and Practices,” *The China Quarterly* no. 175 (2003): 681–707.

that is, capitalism and democracy, or the lack thereof.<sup>6</sup> Yet, in China, and indeed in much of the developing and postsocialist world, the politics of property rights are intensely local and vary within the same nation-state and, at times, even within the same city or region.<sup>7</sup> How do we explain the emergence of different subnational rules and practices of property rights even within the same institutional system? Similarly, how are these practices sustained in the face of national efforts to unify the rules governing property rights?

In explaining the emergence of land politics in urban China since the 1980s, this book offers a new perspective on the politics of property rights during times of transition – one that sees property rights as political bargains struck between local state actors and groups in society under conditions of uncertainty. Even in an authoritarian regime with state ownership of urban land, state actors distribute property rights as political resources to ensure compliance with economic reforms and to maintain social stability.<sup>8</sup> In cities in China where reforms were comparatively easy to implement, local governments designed property rights regimes to maximize their own accumulation of capital. However, where reforms were difficult and other resources were limited, local governments designed property rights regimes to placate potential losers from the reforms and to provide capital accumulation opportunities for groups outside the state. Such political bargains were struck early during the reform

<sup>6</sup> Douglass C. North and Robert Paul Thomas, *The Rise of the Western World: A New Economic History* (Cambridge: Cambridge University Press, 1973); Douglass C. North, John Joseph Wallis, and Barry R. Weingast, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History* (Cambridge: Cambridge University Press, 2009); Douglass C. North and Barry R. Weingast, “Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in 17th-Century England,” *Journal of Economic History* 49, no. 4 (1989): 803–32. Barrington Moore Jr., *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston: Beacon Press, 1966). Exceptions include Tomas Larsson, *Land and Loyalty: Security and the Development of Property Rights in Thailand* (Ithaca, NY: Cornell University Press, 2012); Susan H. Whiting, *Power and Wealth in Rural China: The Political Economy of Institutional Change* (Cambridge: Cambridge University Press, 2001); Stephen H. Haber, Noel Maurer, and Armando Razo, *The Politics of Property Rights: Political Instability, Credible Commitments, and Economic Growth in Mexico, 1876–1929* (Cambridge: Cambridge University Press, 2003); Gary D. Libecap, *Contracting for Property Rights* (Cambridge: Cambridge University Press, 1989).

<sup>7</sup> For example, on variations in African land rights, see Catherine Boone, *Property and Political Order in Africa: Land Rights and the Structure of Politics* (Cambridge: Cambridge University Press, 2014).

<sup>8</sup> Political scientists have made similar arguments about the strategic use of land and property rights in other contexts. Catherine Boone argues that land is deployed as a patronage resource in electoral strategies in sub-Saharan democracies. David Collier and, more recently, Alisha Holland make similar arguments about the use of land and informal property rights as a form of redistribution in Latin America. Catherine Boone, “Electoral Populism Where Property Rights Are Weak: Land Politics in Contemporary Sub-Saharan Africa,” *Comparative Politics* 41, no. 2 (January 2009): 183–201; Alisha C. Holland, “The Distributive Politics of Enforcement,” *American Journal of Political Science*, 59, no. 2 (April 2015): 357–371. David Collier, *Squatters and Oligarchs: Authoritarian Rule and Policy Change in Peru* (Baltimore: Johns Hopkins University Press, 1976).

era as urban officials sought to dismantle socialism and build capitalism, and they were accompanied by moral narratives that attempted to generate legitimacy for the new property rights arrangements. Later in the reform era, as land became central to local government revenue, local officials attempted to override the bargains, but they were constrained by these “moral entitlements.” Understanding property rights as bargains with both political and moral content explains why property rights regimes vary subnationally and why specific regimes endure despite concerted pressures for change.

The empirical contribution of the book concerns the centrality of property rights to China’s economic development strategy at both the national and local levels. The control of land – at every level of the administrative hierarchy – has been fundamental to the construction and execution of strategies for reform and development. The argument I make, however, is very different from the classic social science idea that the forms of property rights determine investment and growth outcomes. In China land control did not determine the pursuit of wealth or vice versa. Rather, urban governments, as well as the national government in Beijing, experimented with land markets and systems of property rights at the same time that they were fashioning plans to dismantle socialism and to build markets.

At the local level, cities were home to different constellations of political power as they navigated both property markets and development and reform agendas. Property rights were deployed as political and economic resources, figuring prominently in various groups’ efforts to accumulate capital as well as local governments’ strategies for political inclusion and appeasement. Specifically, the staging and sequencing of reforms to the public sector and the opening to foreign capital – undertaken early in some cities and later in others – afforded local governments different incentives and constraints with regard to urban land and property markets. In cities that opened to foreign capital before or while they were undertaking state-sector reforms – essentially building capitalism before dismantling socialism – local governments were able to extend authority over urban land as part of their reform strategies. But in cities that built capitalism at the same time they dismantled socialism (undertaking state-sector reforms before they had access to global capital), urban land control was ceded to non- and semistate actors, such as state firms, laid-off workers, and the emerging private sector, thus eroding the power of local governments over land. The sequencing of the reform efforts, combined with the structure of the local economy and the mediating role of socialist legacies, led to different systems for managing property rights over land, which I call “property rights regimes.” These regimes, and reform efforts more generally, emerged in tandem with new moral narratives to justify them. Property rights became both moral and material entitlements, setting the stage for the intractable political conflicts that ensued when entitlements were threatened.

At the national level, the creation of land and property markets required a dramatic change in how land was considered a resource in China. During the

1980s and 1990s, land changed from being a resource whose primary value was in its use for production to a resource with exchange value – in other words, one that could become capital. National institutions governing land control and property rights changed drastically as central officials experimented with policies and made judgments about the risks and rewards that would accompany land markets and the real estate sector. I find that the direction of this reform has not been the one that many assumed or predicted, that is, that land markets would gradually liberalize and property rights would become more secure, thereby becoming private over time. On the contrary, land markets were far more liberal and subject to far less state dominance and interference during their first decade than they have been ever since.<sup>9</sup> In addition to explaining the variation in land control regimes at the subnational level, I examine how and why the nature and importance of land control have been reconsidered and dramatically reorganized by the central government in the course of the reforms. Property rights institutions at the national level have also been the products of political bargains made under conditions of uncertainty.

Later in this chapter, I more fully conceptualize property rights regimes, the dependent variable in this study, and elaborate on the book's explanation of the emergence of and variation in these regimes. The chapter also introduces the empirical context: the puzzle of subnational variations within a single region of China. But first, I situate the problem of land politics and property rights in the context of Chinese politics since the onset of the market reforms.

## LAND, PROPERTY RIGHTS, AND CHINA

Land control has emerged as the most contentious and important economic and political issue in contemporary China. In urban China, the demolition and relocation of urban residents have constituted an incendiary flash point for state–society conflict. International media and scholarly attention have increasingly focused on the dislocations that have resulted from grand projects of urban renewal and transformation.<sup>10</sup> The phenomenon of “nail houses” (*dingzihu*, 钉子户), residences in the middle of vast construction projects whose occupants refuse to leave, is endemic in almost every Chinese city.<sup>11</sup> The

<sup>9</sup> This finding accords with Huang Yasheng's arguments about the direction of reforms in the private sector in the 1980s versus those in the 1990s. See Yasheng Huang, *Capitalism with Chinese Characteristics: Entrepreneurship and the State* (Cambridge: Cambridge University Press, 2008).

<sup>10</sup> On Beijing, see Yue Zhang, “Steering towards Growth: Symbolic Urban Preservation in Beijing, 1990–2005,” *Town Planning Review* 79, nos. 2–3 (2008): 187–208. On Shanghai, see Qin Shao, “Waving the Red Flag: Cultural Memory and Grassroots Protest in Housing Disputes in China,” *Modern Chinese Literature and Culture* 22, no. 1 (Spring 2010): 197–232.

<sup>11</sup> The most famous “nail house” is that of Yang Wu and Wu Ping, in Chongqing City. See Howard French, “In China, Fight over Development Creates a Star,” *New York Times*, March 26, 2007,

scramble for rural land has constituted an equally visible flash point for antagonism between peasants and local governments. China's preeminent sociologist, Yu Jianrong, has argued that contestation over land rights has replaced that over rural taxes and fees as the primary axis of state–society conflict in rural China.<sup>12</sup> Chinese academics estimate that as many as sixty million peasants have lost their land since the early 1990s. Scholars have argued that if the trends persist at present speeds, China will be home to 110 million landless peasants as a result of the conversion of land from agriculture to construction by 2030.<sup>13</sup> Sixty percent of peasants who file complaints (*shangfang*, 上访) with higher-level governments do so over lost land, most of which is lost as a result of state acquisition (*zhengyong*, 征用).<sup>14</sup> The process of land conversion is extraordinarily contentious, and often violent. Chinese journals frequently report beatings, assaults, incinerations, and mass brawls among peasants and local leaders over land disputes.<sup>15</sup> In December 2011, villagers in the town of Wukan, in southeastern Guangdong province, mounted an extraordinarily

at [www.nytimes.com/2007/03/26/world/asia/26cnd-china.html](http://www.nytimes.com/2007/03/26/world/asia/26cnd-china.html), accessed January 26, 2015. See also Kent Ewing, "The Coolest Nail House in History," *Asia Times*, March 31, 2007, and Andrew C. Mertha, "From 'Rustless Screws' to 'Nail Houses': The Evolution of Property Rights in China," *Orbis* 53, no. 2 (2009): 233–49.

<sup>12</sup> Yu Jianrong, "Dangqian Zhongguo quntixing shijian de zhuyao leixing jiqi jiben tezheng" (Major Types and Basic Characteristics of Mass Incidents in Today's China), *Zhongguo zhengfa daxue xuebao* (Journal of China University of Political Science and Law) no. 6 (2009): 114–20. One of the reasons that land conflicts displaced tax conflicts is the abolition of the agricultural tax in 2006, which I discuss later and in Chapter 6.

<sup>13</sup> Song Binwen et al., cited in Sally Sargeson, "Villains, Victims and Aspiring Proprietors: Framing 'Land-Losing Villagers' in China's Strategies of Accumulation," *Journal of Contemporary China* 21, no. 77 (2012): 764. On the number of landless peasants, see also Liu Shouying and Ulich Schmitt, "China's Urbanization and Land: A Framework for Reform," in *Urban China: Toward Efficient, Inclusive, and Sustainable Urbanization*, ed. World Bank and Development Research Center of the State Council of the PRC (Washington, DC: World Bank Group, 2014), 163–336.

<sup>14</sup> Lu Ying, "Chengshihua zuizhong shenghuo anzhi wenti de kaolü" (Reflections on the Problem of Allocating Support to Peasants Rendered Landless During Urbanization), *Nongye jingji* (Agricultural Economics), no. 6 (2006): 56–7.

<sup>15</sup> Examples of the dramatic escalation of these disputes abound in the Chinese press. One of the most famous is the Longnan incident, during which petitions to the local government from thirty people whose homes had been demolished evolved into riots involving thousands of people and at least seventy casualties. See Ma Jiuqi, "Gansu Longnan shijian: Baoli xu qianze, siwei xu geming," *Nanfang baowang*, November 19, 2008, at [www.nfdaily.cn/opinion/opinionlist/content/2008-11/19/content\\_4714177.htm](http://www.nfdaily.cn/opinion/opinionlist/content/2008-11/19/content_4714177.htm), accessed January 26, 2015. In 2004, villagers in Hunan, led by farmer Tang Fei, opened fire on local authorities after protesting against land seizures and being beaten by cadres. Some reports state there were more than twenty deaths. In June 2005, a cadre in Yuhuazhaimoujia village, under the administration of Xi'an city, sold land without the villagers' permission, culminating in a massive brawl that resulted in eleven serious injuries. These are but a few examples. Reportedly, in 2004, of the 130 collective actions organized by villagers, 87 (66.9 percent) involved land seizures. Yang Liu, "Jingti tudi jiu fen baolihua miaotou" (Guarding against a Trend of Land Dispute Violence), *Liaowang xinwen zhoukan* (*Outlook News Weekly*) no. 29 (July 2005): 32–33.

dramatic protest over the sale of collective land to a real-estate developer. Angered over their meager compensation and their loss of farmland, the villagers eventually took physical control of the village and forced the dismissal of the party leadership. The protests culminated in a siege of the village that lasted ten days, ending only when the provincial leaders acknowledged corruption and promised the fair redistribution of land.<sup>16</sup>

According to the PRC Constitution, land is legally owned by the state in urban areas and by the collective in rural areas. However, a determination of the actors in each category is problematic. From 1949 to 1980, most urban citizens were organized in work units associated with public enterprises, and the business of collective production and consumption was governed by a centralized command economy. As a result, specifying who exactly speaks for the “state” in any given urban center was not a simple task. During the early period of land commodification, described in the empirical chapters that follow, ambiguity about who represents the “state” as the owner of urban land opened space for local political battles over land control.

As detailed in Chapter 2, in the 1990s local governments emerged as the most powerful claimants to landownership, meaning that local governments (municipal- or district-level governments) typically had the right to lease use rights for land and to claim the revenues (see Figure 1.1 for an outline of China’s land rights system). Land-lease revenues, for lease terms that varied depending on the type of land use, were paid in lump sums at the beginning of the term of the lease. Since the mid-1990s, local governments have become increasingly dependent on land lease revenues to meet budgetary obligations, leading the Ministry of Land Resources (MLR), which oversees land policy, to impose limits on the conversion of farmland and to attempt to slow real-estate development within cities.<sup>17</sup> In 2007, galvanized by fears of food insecurity and diminishing land for cultivation, the MLR adopted what it called its “toughest” policy to preserve farmland: a strict quota program by which each subnational jurisdiction is assigned an amount of arable land that cannot be decreased and an annual amount of rural land that may be converted for urban construction. The quota program has spawned a cottage industry of programs to maximize available land for lease and construction while preserving the required amount of farmland. Innovations run the gamut from establishing land exchanges by which rural dwellers exchange their homestead land for urban citizenship (*hukou*, 户口) to trading or exchanging land development rights between jurisdictions to move peasants forcibly into concentrated, high-rise housing so

<sup>16</sup> Michael Wines, “A Village in Revolt Could Be a Harbinger for China,” *New York Times*, December 26, 2011, at [www.nytimes.com/2011/12/26/world/asia/in-china-the-wukan-revolt-could-be-a-harbinger.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2011/12/26/world/asia/in-china-the-wukan-revolt-could-be-a-harbinger.html?pagewanted=all&_r=0), accessed January 26, 2015.

<sup>17</sup> See Susan H. Whiting, “Fiscal Reform and Land Public Finance: Zouping County in National Context,” in *China’s Local Public Finance in Transition*, ed. Joyce Yanyun Man and Yu-Hung Hong (Cambridge, MA: Lincoln Institute of Land Policy, 2011), 125–44.

Land-Use Rights Leasehold System:

- 40-year term for commercial land
- 50-year term for industrial land
- 70-year term for residential land

Land-lease revenues paid for the entire term at the beginning of the lease

Methods of Transferring Land-Use Rights:

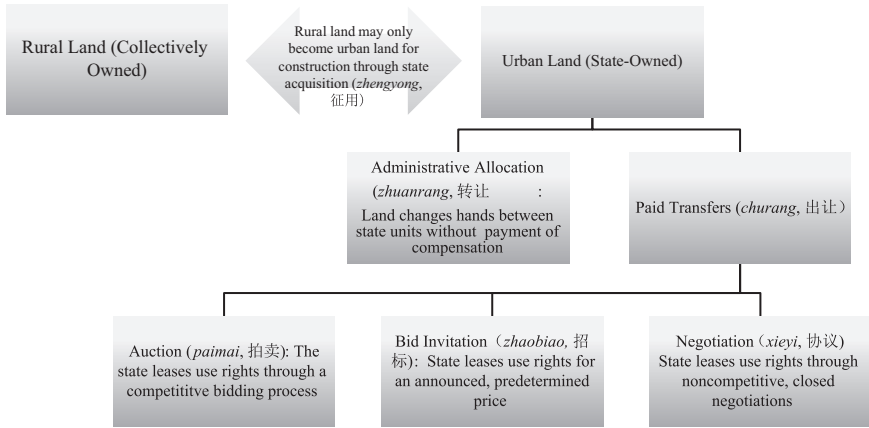


FIGURE 1.1. China's Land System

as to maximize the amount of arable land.<sup>18</sup> Nonetheless, survey and land cadastral satellite data suggest that local governments and villagers both continue to encroach on the land for cultivation.<sup>19</sup>

Social scientists have long considered clear and enforceable property rights to be a necessary condition for sound economic growth and development.<sup>20</sup>

<sup>18</sup> Hui Wang et al., "Farmland Preservation and Land Development Rights Trading in Zhejiang, China," *Habitat International* 34, no. 4 (2010): 454–63; Meina Cai, "Land-Locked Development: The Local Political Economy of Institutional Change in China" (PhD diss., University of Wisconsin, Madison, 2012); Kristen E. Looney, "The Rural Developmental State: Modernization Campaigns and Peasant Politics in China, Taiwan and South Korea" (PhD diss., Harvard University, 2012).

<sup>19</sup> Hui Wang et al., "Rural Residential Properties in China: Land Use Patterns, Efficiency and Prospects for Reform," *Habitat International* 36, no. 2 (2012): 201–9.

<sup>20</sup> North and Thomas state this most famously and forcefully in their explanation of the economic rise of the Western world: "Efficient economic organization is the key to growth; the development of an efficient economic organization in Western Europe accounts for the rise of the West. Efficient organization entails the establishment of institutional arrangements and property rights." North and Thomas, *The Rise of the Western World*, 1. See also North and Weingast, "Constitutions and Commitment," 803–32.



The protection of property rights through established laws and contracts is said to be a major function of the modern state; states that are unwilling to or incapable of protecting property rights are viewed as predatory, weak, or ineffective.<sup>21</sup>

The institutions that determine and enforce property rights in China are often ambiguous and the rules are often arbitrarily enforced. This narrative has been applied to property rights in a number of arenas, including intellectual property, firms, and natural resources such as land and water.<sup>22</sup> The 1988 Land Management Law sanctioned the creation of markets for land use, but it did not – especially at the outset – establish clear regulations about rights of control, income, and transfer in the context of public ownership over land. Although many may agree that property rights institutions are ambiguous, scholars disagree about whether that ambiguity has led inexorably to negative incentives and externalities. The conventional view interprets the extraordinary amount of conflict over land in China as the inevitable result of ambiguous property rights, meaning both unclear laws on the books and the lack of effective enforcement institutions, chiefly the absence of an independent judiciary to arbitrate claims and to enforce findings. According to this view, land markets not only are mired in political and social conflict, but also produce inefficiencies and distortions in land use. Until property rights are clarified by law and enforced through an independent judiciary or some other autonomous bureaucracy, distortions, inefficiencies, conflicts, and injustices will continue to plague land relations in China.<sup>23</sup>

Yet this conventional explanation has gained little traction among scholars who work on property rights practices in China. Instead, research on land property rights in China has challenged the dominant view that private property rights defended by an independent judiciary are a necessary precondition for efficient investment and sustainable growth. In rural China, survey and fieldwork data have indicated that farmers are accepting and even supportive of impermanent rights over plots of land and periodic reallocations if such policies function in ways to enhance fairness and agricultural production.<sup>24</sup>

<sup>21</sup> Margaret Levi, *Of Rule and Revenue* (Berkeley: University of California Press, 1988).

<sup>22</sup> Martin K. Dimitrov, *Piracy and the State: The Politics of Intellectual Property Rights in China* (Cambridge: Cambridge University Press, 2009); William P. Alford, *To Steal a Book Is an Elegant Offense: Intellectual Property Law in Chinese Civilization* (Stanford, CA: Stanford University Press, 1995); Andrew C. Mertha, *China's Water Warriors: Citizen Action and Policy Change* (Ithaca, NY: Cornell University Press, 2008); Andrew Mertha, *The Politics of Piracy: Intellectual Property in Contemporary China* (Ithaca, NY: Cornell University Press, 2005).

<sup>23</sup> Wang et al., "Farmland Preservation and Land Development Rights Trading in Zhejiang, China"; Wang et al., "Rural Residential Properties in China"; Xiaolin Guo, "Land Expropriation and Rural Conflicts in China," *China Quarterly* no. 166 (2001): 422–39.

<sup>24</sup> Loren Brandt et al., "Land Rights in Rural China: Facts, Fictions and Issues," *China Journal* no. 47 (January 2002): 67–97; Guo Li, Scott Rozelle, and Loren Brandt, "Tenure, Land Rights, and Farmer Investment Incentives in China," *Agricultural Economics* 19, nos. 1–2 (September 1998): 63–71; Xiao-Yuan Dong, "Two-Tier Land Tenure System and Sustained Economic Growth in post-1978 Rural China," *World Development* 24, no. 5 (1996): 915–28; Qian Forrest Zhang, "Retreat from

Comprehensive studies of Chinese land development patterns challenge the idea that property rights are simply bestowed from above and seek to demonstrate that in China property relations are “evolving” apace with social and economic change from the bottom up. Peter Ho has examined institutional change in property rights systems across land types, concluding that “the central state’s choice to allow local, informal institutions a certain space for existence rather than formalizing them through national laws is the fundamental explanation of such institutions’ credibility and successful functioning.”<sup>25</sup> In contrast, top-down attempts to change institutions that govern grasslands, wasteland, and forests have ignored local socioeconomic circumstances, with results ranging from complete disregard for “empty institutions” to violent conflict. George C. S. Lin, on the basis of the 1996 national cadastral survey, examines regional differences in urban expansion and concludes that there is no single model of land development in China and that the conventional view of property rights bestowed from the top down is overly simplistic.<sup>26</sup> Scholars of China with a variety of disciplinary perspectives have carefully documented patterns of state–society conflict over land, variations in justice claims in disputes over land rights, and different patterns of urbanization in China.<sup>27</sup>

Although scholars of contemporary China recognize the heterogeneity in patterns of urbanization and the politics of social “resistance,” the majority of work on urbanization and land in China implicitly imagines local governments to be pursuing similar if not identical projects of state building and capital

Equality or Advance towards Efficiency? Land Markets and Inequality in Rural Zhejiang,” *China Quarterly* no. 195 (2008): 535–57; Q. Forrest Zhang and John A. Donaldson, “From Peasants to Farmers: Peasant Differentiation, Labor Regimes, and Land-Rights Institutions in China’s Agrarian Transition,” *Politics & Society* 38, no. 4 (2010): 458–89.

<sup>25</sup> Peter Ho, *Institutions in Transition: Land Ownership, Property Rights, and Social Conflict in China* (Oxford: Oxford University Press, 2005), 18. Ho’s arguments are similar in spirit to those in an edited volume by Oi and Walder on property rights in China more generally, i.e., not only with respect to land. They conclude that “ownership has evolved decisively, if gradually, away from traditional forms of state and collective ownership toward a mixed economy pervaded by contracting, lease-holding, and various forms of private enterprise – the family firm, the elite industrial empire, and the private companies owned by government agencies and enterprises.” Jean C. Oi and Andrew G. Walder, eds., *Property Rights and Economic Reform in China* (Stanford, CA: Stanford University Press, 1999), 12.

<sup>26</sup> George C. S. Lin, *Developing China: Land, Politics and Social Conditions* (London: Routledge, 2009). Lin’s book examines variations in patterns of urbanization in China. He distinguishes between two such patterns: outward expansion of existing cities (what he calls “city-based urbanization”) and the transition of rural-to-urban settlements in the countryside (“region-based urbanization”). A geographer, Lin is explaining different patterns of land use rather than who controls the land and how property rights are distributed. That said, some of his findings about the relative importance of global and domestic capital are consistent with my study of the politics of land control.

<sup>27</sup> Hsing, *The Great Urban Transformation*; Susan Whiting, “Values in Land: Fiscal Pressures, Land Disputes and Justice Claims in Rural and Peri-Urban China,” *Urban Studies* 48, no. 3 (March 2011): 569–87.

accumulation through land development.<sup>28</sup> I find this image of local governments to be inaccurate both temporally and spatially; local governments have not always pursued land development this way, and local state strategies of land management vary in politically important ways. Many local governments have been at times quite eager to establish and protect systems that very much resemble private property rights, and local government predation is of relatively recent vintage. This book aims to provide a systematic explanation of subnational variation in property rights and land politics, systematically linking urban political economies with different subnational systems for managing property rights over land.

#### PROPERTY RIGHTS REGIMES

The goal of this book is to explain the emergence and staying power of property rights regimes, or the system of rules that governs who assigns what kinds of property rights to which parties. The book does not explain the efficiency of the outcomes; nor does it attempt to ascertain which systems of property rights are “better” for any number of outcomes, but rather “why and how people create property rights and for what purposes, why and how they choose the types of property institutions they do, and how and why they change property rights over time.”<sup>29</sup>

A dominant approach to thinking about resource distribution is to distinguish between market-based and authority-based (or hierarchy-based) systems of allocation.<sup>30</sup> Yet, as Boone and others have acknowledged, “in the real world, all national economic systems and property regimes are hybrids of these two,” and therefore the question is the relative influence of states and markets in various property regimes.<sup>31</sup> Other conceptualizations aim to capture variations in rights holders or kinds of rights, for example, examining how regimes vary from individually held, private property rights to public ownership or

<sup>28</sup> Hsing writes that “local politics centers on the politics of urban development projects, which define the dynamics of the local state and its relations with the market and society.” Hsing, *Great Urban Transformation*, 7. She compares urban development and the politics of “civic territoriality,” or social resistance, at the urban core, the urban periphery, and the rural fringe. She does not, however, offer a framework for understanding how the politics of urban development plays out differently within these geographical ideal types, i.e., in different urban cores. Implicit in her argument about urban politics is the premise that all local governments in China seek the same sort of state-building through land conquest. I have not found this to be the case.

<sup>29</sup> William Blomquist, “A Political Analysis of Property Rights,” in *Property in Land and Other Resources*, ed. Daniel H. Cole and Elinor Ostrom (Cambridge, MA: Lincoln Institute of Land Policy, 2012), 370.

<sup>30</sup> Charles E. Lindblom, *Politics and Markets: The World's Political Economic Systems* (New York: Basic Books, 1977). In the Chinese context, urban scholars have long posited that urbanization in China is “state-led,” as opposed to “market-led,” a contention that would not surprise anyone. For a discussion, see Hsing, *The Great Urban Transformation*, 7.

<sup>31</sup> Boone, *Property and Political Order in Africa*, 21.

national domain. Typically, these studies ask how regimes vary in terms of the security of property rights, presumably from state expropriation. Most of such studies examine the national level, often looking at differences in property rights regimes, as laid out in national constitutions, and inquire how these various regimes affect a host of other outcomes: such as economic growth, electoral politics, democratic stability, and so forth.<sup>32</sup>

In the Chinese context, however, and in other places undergoing rapid and uncertain economic and political transitions in which local practice is not determined by a national legal framework, the nature of the property rights regime is a question of fact.<sup>33</sup> In any given local area, what kinds of actors – individuals or groups, private or public – can conceivably defend property rights over land? How are these rights granted? When conflicts emerge, who decides or adjudicates? It is not possible to identify a property rights regime simply by looking at a local or national legal framework. Instead, we must ascertain how property rights are extended and held in practice.

To this end, property rights regimes can be conceptualized as differing in the distribution of regulatory authority and the scope of legitimate claimants. Regulatory authority refers to those who can extend or grant legitimacy to property rights claims. Almost always, this authority rests with “the state,” but, especially in the postsocialist context, the question is what part of the state and whether there exists an exclusive arbiter. The scope of legitimate claimants includes which actors are allocated rights over land. In some regimes, the state is the only legitimate claimant to land rights, whereas elsewhere restrictions take a number of forms, such as ethnic requirements or limits to the scope of politically acceptable economic actors, such as in the case of gradually reformed socialism.<sup>34</sup> In the Chinese case, the permissibility of various forms of ownership has changed over time. For example, Huang Yasheng documents how private enterprises masqueraded as collectively owned township and village enterprises (TVEs) in the 1980s because private enterprise was politically suspect at the time.<sup>35</sup> As private enterprise became politically acceptable in China, we may think of this as a change in the scope of the legitimate claimants.

<sup>32</sup> In addition to Boone, see Stanley L. Engerman and Jacob Metzger, eds., *Land Rights, Ethno-Nationality, and Sovereignty in History* (London: Routledge, 2004). Linking differences in the security of property rights is at the heart of the neoclassical approach, typically associated with the work of Barry Weingast and Douglass North, which I discuss later in this chapter.

<sup>33</sup> Huang Yasheng makes this point quite well: “In studies of American economy[sic], scholars may debate about the effects of, say, ‘Reagan tax cuts.’ In studies of the Chinese economy, the more relevant question would be, Did the government cut taxes in the first place?” Huang, *Capitalism with Chinese Characteristics*, xi.

<sup>34</sup> On exclusive regimes and ethnicity, see Engerman and Metzger, eds., *Land Rights, Ethno-Nationality, and Sovereignty in History*. On citizenship and land access in contemporary Africa, see Boone, *Property and Political Order in Africa*.

<sup>35</sup> Huang, *Capitalism with Chinese Characteristics*.

	Legitimate Claimants		
	Restrictive	Expansive	
Regulatory Authority	Concentrated	<p><i>Oligopoly or Monopoly</i></p> <p><i>Statist</i></p>	<p><i>Pluralistic</i></p> <p><i>Regulated Market</i></p>
	Dispersed	<p><i>Oligarchy</i></p> <p><i>Neocustomary*</i></p>	<p><i>Fragmented</i></p> <p><i>Unregulated Market</i></p>

FIGURE 1.2. Conceptualizing Property Rights Regimes

\*Note: In which traditional or customary authority structures distribute and assign land property rights. See Boone, *Property and Political Order in Africa*, 27–38.

Regulatory authority can be concentrated in a clearly designated state agency, such as the judiciary or a bureaucracy such as the MLR, or it can be dispersed, with multiple agencies and arms of the state competing for authority. The scope of legitimate claimants can be expansive, when a wide range of actors effectively claim to be rights holders, or restrictive when the reverse is the case. Figure 1.2 elaborates on the conceptualization of property rights regimes along these dimensions, suggesting how different kinds of property rights regimes fall. This conceptualization on its own says nothing about the sources of variation on either dimension. For example, regulatory authority may be dispersed because there is a lack of state capacity or because state actors strategically choose to cede control over land and property rights allocations to other groups, as is the case in the neocustomary land tenure regimes that Boone examines. The goal of conceptualizing property rights regimes in this way is to identify subnational variation and to categorize cases systematically so as to generate explanations for their divergence.

EMPIRICAL CONTEXT

The following chapters examine the process of land commodification from the late 1980s to the present in three cities that entered the reform period with similar political economic legacies as part of a single Chinese region – the northeastern rust belt (see Figure 1.3). Thirty years after the introduction of the economic reforms, however, these cities belong to fundamentally different

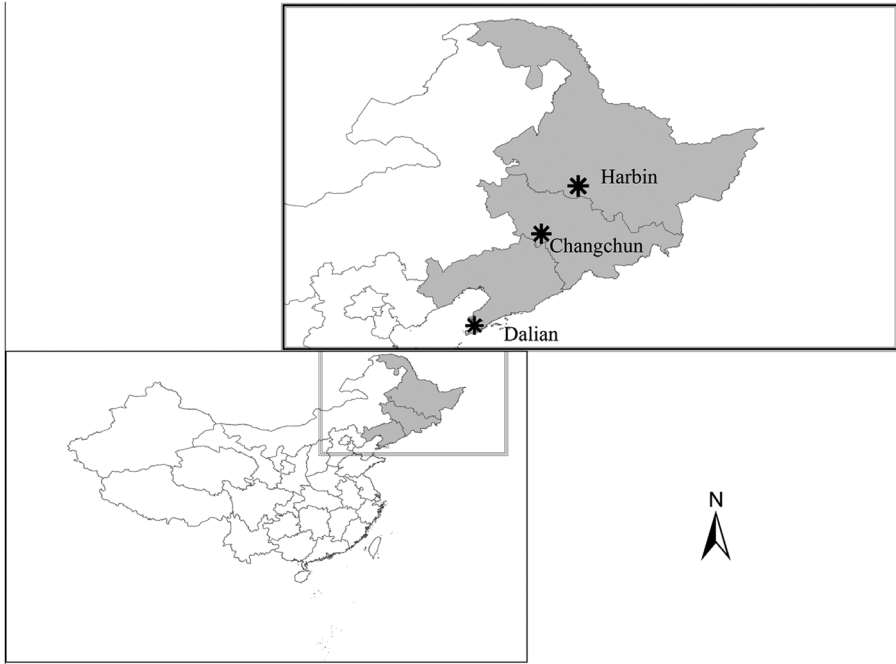


FIGURE 1.3. China, the Northeast, and the Research Sites

political economic orders. Without an understanding of how the post-1978 economic reforms altered the urban hierarchy and established cities with different political economies, it is difficult to make sense of the varying experiences of land politics in these northeastern cities.

The growth rates of Heilongjiang, Jilin, and Liaoning provinces were among the highest in the country between 1952 and 1978.<sup>36</sup> Beyond growth and state investment, it was in the Northeast where the socialist model of urban organization was most thoroughly developed because of the region's heavy share of state-owned enterprises (SOEs) and formal sector workers.

During the decades since the initiation of the reforms in 1978, these northeastern cities that began the reform period at a similar socioeconomic base have fared very differently. The substantive chapters that follow will trace

<sup>36</sup> Zeng Juxin and Liang Bin, “Zhongguo quyu jingji zengzhang bijiao yanjiu” (Comparative Research on Regional Economic Growth in China), *Jingji dili* (Economic Geography), no.1 (1994): 16–20. Unfortunately for scholars of the Chinese political economy, comprehensive data on economic growth and its composition for the years between 1957 and 1978 are rarely available at the provincial level, much less at the municipal level. See Thomas P. Lyons, *Economic Integration and Planning in Maoist China* (New York: Columbia University Press, 1987), 18–22.

each city's growth trajectory from the early 1980s through the mid-2000s, and Chapter 3 will provide more detailed comparative data. But a brief comparison here underscores the radical differences among these cities in the contemporary period. Table 1.1 displays basic data on each city's population, physical size, and economic performance in 1985, 1990, 2000, and 2010.

From 1985 to 2010, all three cities grew in size (urban built-up area, *jianshequ*, 建设区), but it is clear that Dalian expanded substantially in the 1990s and earlier, whereas Harbin and Changchun grew significantly later in the period. As is abundantly clear, Dalian became substantially richer than the other cities over the course of the 1990s and 2000s. Dalian's earlier and wider opening to global capital is on dramatic display in the foreign direct investment (FDI) data; Dalian was receiving orders of magnitude of more FDI than the other two cities in 1990, and more than ten times as much in 2010. The workforces of all three cities, however, suffered in the late 1990s and 2000s, as public-sector enterprises were restructured or forced to enter bankruptcy. The number of employed persons was reduced by more than one-half in each city between 1990 and 2000. Chapter 3 contains more granular data on job losses and changes in the capital structure in each city.

Looking more deeply into the experiences of these cities during the reform era, I find that not only economic outcomes, such as levels of FDI and wealth, but also the very rules of economic reform, investment, and organization differ as well. Following scholars who have identified subnational variation in political economic organization in Italy and Germany, we may think of these different sets of rules of economic engagement as completely different "economic orders."<sup>37</sup> Participants in these cities' different political economic orders – from local officials to private entrepreneurs to publicly owned firms and urban citizens and workers – shared different expectations about the rules of economic activity, in particular about the extent and nature of the role of local government in the economy. These expectations were central to the rules of engagement in the local economy, such as how much and what kinds of local firms could depend on the local government for protection and promotion, how secure property rights were and for whom, and how much and what kind of protection or support

<sup>37</sup> Gary Herrigel, *Industrial Constructions: The Sources of German Industrial Power* (Cambridge: Cambridge University Press, 1996); Richard M. Locke, *Remaking the Italian Economy* (Ithaca, NY: Cornell University Press, 1995). Herrigel deploys the term "economic order" precisely because it is more encompassing than "industrial structure" or "industrial organization" (pp. 22–3). Both Herrigel and Locke seek to characterize variation in a broader array of economic activities than interfirm relations: for example, Locke examines the structure of intergroup relations, patterns of associationalism, and links to the national center.

TABLE 1.1. Selected Data on Harbin, Dalian, and Changchun

	1985(*1987)	1990	2000	2010
<b>Population (million)</b>				
<i>Harbin</i>	3.8	4.07	9.35	9.92
<i>Dalian</i>	4.85	5.18	5.51	5.86
<i>Changchun</i>	5.89	6.38	6.99	7.59
<b>Urban built-up area (km<sup>2</sup>)</b>				
<i>Harbin</i>	156	156	165	359
<i>Dalian</i>	84	101	234	406
<i>Changchun</i>	105	108	154	388
<b>GDP* (RMB billion)</b>				
<i>Harbin</i>	6.37	11.2	100.27	366.49
<i>Dalian</i>	10.09	17.86	111.08	515.82
<i>Changchun</i>	6.31	10.54	81.1	332.9
<b>GDP per capita* (RMB)</b>				
<i>Harbin</i>	1,317	2,762	10,563	36,951
<i>Dalian</i>	2,022	3,464	19,366	77,704
<i>Changchun</i>	1,055	1,667	11,550	43,936
<b>FDI* (US\$ million)</b>				
<i>Harbin</i>	—	.224	203.14	700.10
<i>Dalian</i>	49.9	201.29	1,305.97	10,030.25
<i>Changchun</i>	—	.66	143.83	698.79
<b>Employed persons (million)</b>				
<i>Harbin</i>	2.02	2.36	1.72	1.35
<i>Dalian</i>	2.37	2.65	.929	.942
<i>Changchun</i>	2.96*	2.46	.982	.928

*Sources: Population and Urban Size:* 1985 data are from *Zhongguo chengshi tongji nianjian, 1985* (China Urban Statistical Yearbook, 1985) (Beijing: Xin shijie chubanshe, 1985), 26, 44; 1990, 2000, and 2010 data are from EPS Net.com, China City Data, accessed September 2013; 1990 Harbin population figure is confirmed in *Heilongjiang jingji tongji nianjian, 1991* (Heilongjiang Economic Statistical Yearbook, 1991) (Harbin: Zhongguo tongji chubanshe, 1991), 178; 1990 Harbin city size is confirmed in *Zhongguo chengshi tongji nianjian, 1990* (China Urban Statistical Yearbook, 1990) (Beijing: Zhongguo tongji chubanshe, 1990), 55. Population figures for Dalian and Harbin are reported slightly differently in local yearbooks (9.41 million for Harbin, 5.45 million for Dalian); see *Ha'erbin tongji nianjian, 2001* (Harbin Statistical Yearbook, 2001) (Ha'erbin: Ha'erbin nianjianshe, 2001) and *Dalian shi nianjian, 2001* (Dalian City Yearbook, 2001) (Beijing: Zhongguo tongji nianjian, 2001). Harbin 2010 city size data are from the National Bureau of Statistics via CEIC, China Premium Database, accessed September 2013. *GDP:* 1987 data are from the city yearbooks, various years; Dalian GDP per capita, author's calculation; 1990 GDP and per capita data are from *Xin Zhongguo chengshi wushinian, 1949–98* (Fifty Years of Chinese Cities, 1949–1999) (Beijing: Xinhua chubanshe, 1999), 317–23, 353–4; 2000 GDP and per capita and 2010 GDP data are from China Data Online (China Data Center, University of Michigan), accessed September 2013, except for the 2000 Harbin GDP per capita data, which are from *Ha'erbin tongji nianjian, 2001*, 460. 2010 GDP per capita data are from EPS Net.com, China City Data, accessed September 2013. Note that the 1990 Harbin data are confirmed in *Ha'erbin nianjian, 1990* (Harbin Yearbook, 1990) (Ha'erbin: Heilongjiang renmin chubanshe, 1991), 529; *Heilongjiang jingji tongji nianjian, 1991*, 69. Changchun 1990 per capita figure is from *Changchun nianjian, 1991* (Changchun Yearbook, 1991) (Changchun: Jilin renmin chubanshe, 1991). *FDI:* Dalian FDI data for 1987 are from *Dalian shi zhi: Waijing waimao zhi* (Dalian City Gazetteer: Foreign Economy and Foreign Trade) (Beijing: Fangzhi chubanshe, 2004), 268. 1990 data are from *Xin Zhongguo chengshi wushinian, 1949–1998*, 401–2; 2000 and 2010 data are from EPSnet.com, accessed September 2013. *Employment:* 1985 and 1990 data are from *Xin Zhongguo chengshi wushinian, 1949–1998*; 2000 and 2010 data are from China Data Online, accessed September 2013; Changchun 1990 data are from *Changchun tongji nianjian, 1991*, 8; Changchun 1987 data are from *Changchun nianjian, 1988* (Changchun Yearbook, 1988) (Changchun: Jilin renmin chubanshe, 1988). Note that the Harbin 1990 figure is confirmed in *Heilongjiang jingji tongji nianjian, 1991*, 2.



local citizens, especially those facing hardships as a result of the economic reforms, would receive, and so forth.

The shared expectations and understandings that underlay the local economic orders were forged during the reform era as local governments attempted to pursue economic growth and political survival in the face of differing constraints. Inherited economic and social bases matter tremendously but do not, especially in the cities I examine, explain the most fundamental differences in the local rules of economic engagement. Instead, the distribution of preferential policies from Beijing and the differential sequencing of economic reform and opening to global capital empowered and constrained local governments in ways fundamental to their exercise of power in the local economy.

Beginning with the declaration of the special economic zones (SEZs) along the southeastern coast of China in 1979, market reforms in China were introduced unevenly across regions, with some areas along the east coast accessing foreign capital and local autonomy well in advance of the inland areas. The spatial sequencing of economic liberalization had economic, political, and public-policy rationales. The economic argument focused on turning the east coast cities, which were said to have natural advantages in terms of geography, historical legacies of international trade, and denser populations with better-trained workforces, into “growth poles” that would allow higher returns on concentrated investments and then would “trickle out” to the wider national economy. Politically, spatial sequencing allowed reformers to introduce liberalization incrementally rather than engaging in disagreements with conservatives at the level of national policy. From a public-policy standpoint, the preferential policies allowed the CCP to examine and contain the effects of the reform policies to specific cities and regions and to experiment with policy alternatives before scaling up. Deng Xiaoping’s famous adage about allowing “some people to become rich before others” refers to the inevitability of individual inequalities, but it also expresses the promise that although the reforms would introduce prosperity to the areas in the east first, it would eventually expand westward. I discuss the progress and sources of regional divergence in more detail in Chapter 3.

The differential sequencing of the reform and opening policies, even in a single region with a shared political economy heritage, had clear and observable effects on the political and economic resources and constraints experienced by local governments as well as on the various groups in urban society. Even though the cities in the Northeast all eventually came to enjoy the same privileges and access to foreign capital, the differential timing of these policies meant that some groups in certain cities were empowered, whereas the same groups in other cities were disempowered, and the property rights regimes that emerged in the different cities were reflections of these different power distributions. Importantly, these power distributions contravene dominant social-science theoretical expectations that greater market power and economic

	Legitimate Claimants		
		Restrictive	Expansive
	Regulatory Authority	Concentrated	<i>Statist: Dalian</i>
	Dispersed	<i>(No cases)</i>	<i>Fragmented: Harbin</i>

FIGURE 1.4. Typology of the Cases

liberalization “erode” the power of the state. Counterintuitively, it is in the cities that opened widely and early to global capital and markets that local governments exercised the greatest power over the economy, and in the cities that identify themselves as “latecomers” that we observe greater pluralism in the distribution of local economic power.<sup>38</sup>

The sequencing of global opening and economic reform provides the context in which both city officials and local residents sought to fashion strategies for survival and prosperity after socialism. Figure 1.4 summarizes how the cases fit within the conceptualization laid out earlier in this chapter. The emergence of land markets and property rights practices figured prominently in all of these strategies, but local land markets differed in terms of the impetus for their emergence, the nature of the political bargaining that produced them, and the content of the moral entitlement that accompanied local property rights practices.

Dalian, which enjoyed preferential policies to open to global capital nearly a decade earlier than the rest of the region, typifies what I call a statist property rights regime, in which the local government enjoys a monopoly on the power to regulate and allocate property rights over land and the scope of legitimate claimants to land rights is restricted to the local state. Land markets emerged in Dalian at the initiation of and under the monopolistic control of the local government; local officials consciously and publicly endeavored to use land and land commodification as a state asset that would generate revenues for and

<sup>38</sup> This finding is similar to others who acknowledge that neoliberal reforms and globalization do not reduce the power of the state, but rather redirect state power into new realms of regulation and social and economic management. The argument here, however, is slightly different: Early openness to capital did not simply redirect the local state’s regulatory activities. Rather, it allowed the local state to capture the gains of economic growth and to assert greater political power vis-à-vis society. In essence, the state became stronger in degree as well as different in kind. Many in the China field have argued that strengthening the state has been the point of the reforms all along; Peter Evans, “The Eclipse of the State? Reflections on Stateness in an Era of Globalization,” *World Politics* 50, no. 1 (1997): 62–87.

allow the local government to direct investment and economic development. In many ways, Dalian's experience with land markets in the late 1980s and early 1990s was a precursor to the national land regime that emerged in the late 1990s and 2000s, as cities elsewhere progressed from commodifying land to fiscalizing land.

Dalian, like many cities that benefited from early access to foreign capital as a result of the preferential policies bestowed by Beijing in 1984, designated a development zone outside the urban core to rebalance the concentration of economic power in favor of proreform coalitions, while leaving the downtown, prereform power base undisturbed during the early period of reform and opening. By introducing dual pressures for downtown enterprises to restructure and relocate later during an "enterprise relocation campaign" that began in 1992, the city government established itself as the sole claimant to urban land as well as the critical link between foreign investors and local firms. These roles confirmed the local government as the arbiter, rather than the target, of political conflict. The role of the state in the land and real estate markets – establishing the markets and acting as participant and coordinator – paralleled other areas of economic activity. The Dalian Municipal Government was the autonomous coordinator of FDI, enterprise reforms, economic and urban planning, and so forth.

Because Dalian was able to carry out politically difficult reforms, such as layoffs, bankruptcies, and relocations later in the 1990s, with the support of foreign capital, the local government was not forced to engage in the sort of particularistic bargaining that was endemic in Harbin and Changchun. Instead of deploying land control and property-rights rules as political resources, the city of Dalian articulated a unified vision about the role and use of land in the city's economic strategy. Under the leadership of Bo Xilai, the city's well-connected and ambitious leader during the 1980s and 1990s (sentenced to life in prison in 2013 after a stunning turn to populism and subsequent conflict with other CCP elites), the municipal government was successful in disciplining lower-level state agents and situating the municipal government at the apex of urban politics and the urban economy. The dependence of local residents and firms on the local government for a place (i.e., capital, employment, and a physical location) in Dalian's postsocialist economy and coordinated ideological campaigns about land stunted the development of alternative narratives of land and property rights practices. Ironically, for a city supposedly embracing markets and capitalism early during the reform period, the moral content of the campaigns that accompanied land politics in Dalian emphasized the role of land as a state asset – one to be deployed by the local government in its pursuit of collective prosperity for the region. Individual claims were regarded as self-interested obstacles to progress and reform.

In contrast, the city of Harbin, which did not enjoy open privileges until the mid-1990s, instead pursued a decentralization of authority over policies, such as housing, enterprise reform, and the growth of private entrepreneurship,

distributing urban land control to assuage the losers from the economic reforms and to spur growth. Unlike in Dalian, Harbin authorities articulated no overarching strategy for economic modernization; instead they experimented with some policies and changed course to adopt others. Harbin's experiences under reform typify what I call a "fragmented property rights regime," in which the various parts of the local state focused on dispensing resources to groups (such as firms or workers), with each decision more or less individualized and improvised rather than connected to an overarching economic strategy dictated by the local state. In Harbin, land became a resource for distribution, and informal property rights became a political strategy. Over time, as multiple claimants to urban land became increasingly embedded both socially and physically, *de facto* land claims became powerful constraints on the government's ability to regulate urban land and to execute its own projects for spatial restructuring. Rules about land markets and property rights were the products of particularistic bargaining, as local government actors negotiated with other state agents and groups in society for their political acquiescence to the dismantling of state socialism. The lowest levels of local government were frequently the agents that negotiated with the various groups and that distributed informal, and sometimes formal, claims to land and property.

Land markets were informally initiated in Harbin early during the reform period, even prior to implementation of the 1988 Land Law, as enterprises underwent stages of reform and used the land they occupied and controlled either to pursue market ventures or to distribute to their workers. A primary impetus for land commodification was to create value for firms and individuals rather than exclusively for the state. As the economic reforms proceeded in the late 1980s and 1990s under conditions of capital scarcity and high unemployment, control over land rivaled employment and wages as the main axis of political conflict in the city. Residents, workers, and enterprise managers campaigned successfully that they were morally entitled to property ownership, convincing local officials not only that their claims were legitimate, but also that a decentralized approach to land control and property rights would be best for the city's economic growth. Over the course of the 1990s, Harbin's urban planning policies emphasized the commodification of worker housing at preferential rates for the residents, the formalization of incipient private business claims to physical space, and a dynamic process of planning in which the local government learned from social practices and drafted land policies to legitimate and formalize emerging economic activity.

Although these distributive policies benefited many residents, the private sector, and the entrepreneurial activities of public enterprises, these policies did not have universally positive results. Harbin's efforts at urban expansion – the declaration of a high-tech development zone and a new administrative zone – fell prey to similar distributive conflicts. The projects were largely perceived as corrupt and wasteful, and they mostly failed to generate economic growth, employment, political prestige, or fiscal revenues for the city.

The local government of Changchun, in Jilin province, neither articulated an overarching economic strategy as Dalian did, nor simply muddled through as Harbin did. Changchun's economy was dominated by a single sector – the automobile industry. Moreover, its largest employer and main contributor to local GDP was a large, centrally owned SOE, over whose choices and performance the city government had little control. Changchun's local government explored the postsocialist prospects of the automobile industry but also sought to take advantage of the advent of land markets and real estate as an additional source of economic dynamism. As did Harbin, Changchun experimented with different approaches to reform and growth. But unlike in Harbin, the administrative power of the local government, buttressed by a sense of vulnerability as a result of single-sector and single-firm dominance, was better able to manage internal discipline and establish policies that regularized relations among workers, firms, and arms of the state. Changchun's property rights regime became pluralistic; The local government enjoys concentrated regulatory authority, but it does not hold a monopoly over property rights. Instead, we see a range of economic actors who successfully stake land claims.

Property rights and land markets were central to Changchun's trajectory after 1978. Similar to Harbin, Changchun underwent economic reforms in a climate of high unemployment and capital scarcity in the 1980s and the early 1990s. Additionally, control over homes and space for informal economic activities were political resources over which social and economic groups bargained with the state. Changchun adopted particularistic rules about the control of property that would apply differently to various groups. But regulatory authority over property rights – the registration of deeds, the collection of taxes on exchanges, and so forth – was established as the exclusive jurisdiction of the municipal government (specifically, the Urban Planning Bureau and the Real Estate Bureau). Land commodification offered an opportunity for the Changchun Municipal Government to establish power independently of the auto sector, but the government did not regard land as the exclusive asset of the state.

Urban planning and land policies in the 1980s and early 1990s in Changchun sought to assuage the losers from the early economic reforms while encouraging the growth of the private sector as well as the city's traditional industrial base. In the early 1990s as land markets became widespread, Changchun established a new development zone and sought to promote local revenue and economic growth through real estate. All the while, local actors conformed to a moral narrative about the city's economic specialization and vulnerability and the need for regulation of real estate and property rights. In the late 1990s and 2000s, Changchun authorities, having solidified regulatory authority over land politics and real estate, used that power to direct industrial investment and to engineer the city's partial economic recovery.

## THEORETICAL APPROACH

The following chapters make sense of property rights change in China by applying a theoretical approach that sees property rights as outcomes of political debates and interactions. This approach contrasts with both the classical approach that views property rights as outcomes of efficiency pursuits and more recent approaches that view property rights as bargained contracts among self-interested parties.

Both of these existing approaches are rooted intellectually in new institutional economics (NIE) and typically take the evolution of Western property rights institutions as their subjects. What I call the classical approach, as typified by Demsetz and North, envisions the emergence and change in property rights as an almost inevitable part of the pursuit of greater efficiency. As the value of some heretofore common resource – be it land, water, fish, or furs – changes, actors seek to internalize costs, exclude some actors, and reduce transaction costs by creating or changing property rights arrangements. In Demsetz’s classic example, the advent of the fur trade and the accompanying incentives to overhunt the local fox population gave rise to private hunting and land rights in Quebec.<sup>39</sup> This “efficiency view” fails to account for why some societies adopt efficient property rights institutions (typically defined as private-property rights) and others do not.<sup>40</sup> Although efficient property rights institutions may be beneficial for aggregate growth and social gains, we require an understanding of distributional politics – which groups stand to gain or lose as property rights institutions change – to understand why actual arrangements fall short of what would be socially optimal.

A more recent strain of scholarship takes up where the classical NIE framework leaves off, theorizing from the rational choice perspective about how property rights emerge from a political process. Libecap has proposed a view of property rights change as a process of political bargaining that he calls “contracting.” The impetus for property rights change arises from changes in relative prices or technology, but proposals for institutional change are then mediated through the political process, in which self-interested parties argue over the distributional gains. Ultimately, Libecap concludes that it is the degree of potential and actual distributional conflicts that impedes property rights modifications that would benefit society at large.<sup>41</sup> Another

<sup>39</sup> Harold Demsetz, “Toward a Theory of Property Rights,” *American Economic Review* 57, no. 2 (May 1967): 347–59.

<sup>40</sup> Douglass North, in later publications, abandons the “efficiency view of institutions” in favor of a more nuanced approach whereby rulers devise property rights systems according to their own (rather than society’s) interests, and social organizations interact with institutions both to preclude and to create institutional change. See Douglass C. North, *Structure and Change in Economic History* (New York: Norton, 1981); Douglass C. North, *Institutions, Institutional Change, and Economic Performance* (Cambridge: Cambridge University Press, 1990), 7–8.

<sup>41</sup> Libecap, *Contracting for Property Rights*, 120–1.

more consciously political approach to property rights sees them as selectively enforced private goods rather than as public goods. Haber et al. begin by observing that investment and economic growth take place under conditions of political instability, when we can assume that investors would be wary because political actors either would not enforce their property rights or would violate them. They argue that “investors, first and foremost, care about the sanctity of their property rights; they do not require governments to protect property rights as a public good in order for investment to take place.”<sup>42</sup>

The framework in this book adopts some elements of these approaches, namely, the ideas of political bargaining and that property rights arrangements are fundamentally private goods, but it departs from these approaches in significant ways. Specifically, I propose a different perspective on the impetus to change property rights, an alternative approach to political bargaining, and a view of property rights that regards them as moral as well as material entitlements.

### The Endogeneity of Property Rights Change

The impetus to change property rights institutions is more frequently endogenous rather than exogenous to the political process. By this I mean that the phenomenon of relative price change – assigning value to that which previously had no value or less value – is a result of political decisions. Questions about property rights arrangements – whose claims to property are legitimate, what a property claim entitles the claimant to do with the property, and so forth – often involve ideas and debates about how property should be valued and what kinds of arrangements should be adopted to ensure price stability, changes, and so forth. To be sure, we can imagine examples of exogenous price changes, such as the advent of the fur trade in Quebec or the sudden discovery of gold in northern California, but just as many, if not more, property rights changes come about because of political debates over the need for changes in values and prices.<sup>43</sup>

For example, consider what is among the most highly scrutinized modern property rights changes in social science: the Urban Property Rights Program in Peru, by which the World Bank and others implemented a large-scale

<sup>42</sup> Haber, Maurer, and Razo, *The Politics of Property Rights*, 10. They propose a specific property rights arrangement as an alternative to limited government and stationary banditry, that is, “vertical political integration,” by which the lines between asset holders (i.e., industrialists) and the government are sufficiently blurred that asset holders can influence government decisions to uphold their own property rights and government actors can gain from the rents generated by these arrangements (pp. 29–36).

<sup>43</sup> For an argument about neoliberalism and the global push for privatization, see Katherine Verdery and Caroline Humphrey, eds., *Property in Question: Value Transformation in the Global Economy* (Oxford: Berg, 2004).



formalization (or “titling”) program to formalize property claims and to enable mortgages for settlement dwellers in urban Peru in the early 2000s. Though this institutional change serves as the subject of landmark studies in economics and related disciplines on the effects of property rights on economic behavior, the change itself was the result of political debates and expectations about what value should be extractable from what sorts of property rights.<sup>44</sup> Formalization and property rights manipulation in other settings have similarly been the results of political, rather than economic, imperatives.<sup>45</sup>

The chapters in this book analyze political debates occurring within the state and between state and society about what property rights arrangements will best optimize land values. For the decision-makers and participants in these debates and according to the political, social, and economic rationales that I analyze, optimizing the value of land for political goals was not the same as maximizing value, that is, ensuring its exchange for the highest value. Actors within the CCP as well as outside it saw fit to arrange property rights in ways that suited very different political, economic, and social objectives. At different points during (and before) the Chinese reforms and in different cities in China, we observe variations in whether land held value, relative value, and who was entitled to that value not on the basis of technological or exogenous factors but rather on how the actors regarded the role of land in their political and economic strategies.

In the Chinese cities under study, early access to preferential policies and global capital aided early movers to establish local government control over land. Early experiences in establishing development zones outside the traditional urban core enabled these local governments to initiate land markets to generate capital for the local government. As we will see, this was certainly the case in Dalian in the 1980s, but also in other coastal cities in the early 1990s. Cities facing greater constraints, however, initiated land markets to generate value for groups mostly outside the state, such as firms, residents, and, especially, those facing economic obsolescence due to the dismantling of state socialism. Land markets and property rights changes had different origins in different cities owing to their status in the post-Mao national political economy.

<sup>44</sup> Erica Field, “Entitled to Work: Urban Tenure Security and Labor Supply in Peru,” *Quarterly Journal of Economics* 122, no. 4 (2007): 1561–1602; Erica Field and Maximo Torero, “Do Property Titles Increase Credit Access among the Urban Poor? Evidence from a Nationwide Titling Program,” unpublished paper, 2010. Hernando Soto, in collaboration with the Instituto Libertad y Democracia, *The Other Path: The Invisible Revolution in the Third World* (New York: Harper & Row, 1989). For this idea in more detail, see Timothy Mitchell, “The Work of Economics: How a Discipline Makes Its World,” *European Journal of Sociology* 46, no. 2 (2005): 297–320.

<sup>45</sup> Larsson, *Land and Loyalty*.



## Political Bargaining

Property rights change tends to occur not in isolation, but rather accompanying substantial economic and social change in the wider political environment. This is especially true, as we shall see, in the Chinese case, in which property rights arrangements changed during a long period of gradual market transition. But it also describes environments outside China. In the former Soviet Union and Eastern Europe, property rights changes were frequently the centerpiece of dramatic programs of democratization and of the transition to markets from planned economies.<sup>46</sup> Tomas Larsson describes how the formalization of property rights in Thailand in the twentieth century was primarily the result of security concerns and the need to recruit the political allegiance of poor farmers in the face of the Communist threat.<sup>47</sup> Because property rights changes rarely occur under conditions in which other political and economic parameters are held constant, property rights arrangements are but one political resource over which groups form interests and preferences and negotiate for status and recognition as well as for distributional gains. Property rights decisions are often made in the aftermath of other more seismic political fights, and property arrangements are more likely to reflect constellations of power and preferences formed outside the realm of property rights decisions.

Without an understanding of how property rights debates fit into the larger political context of change and transition, it is difficult, or impossible, to make sense of the various actors' positions.<sup>48</sup> More pointedly, if we assume that the preferences of the parties are based primarily on their expectations of distributional gains and losses, it is impossible to understand why parties support arrangements that are not beneficial either to them or in aggregate social terms.

<sup>46</sup> For an example of an argument about how transition complicates our understanding of formal and informal institutional change, see Anna Grzymala-Busse, "The Best Laid Plans: The Impact of Informal Rules on Formal Institutions in Transitional Regimes," *Studies in Comparative and International Development* 45, no. 3 (2010): 311–33. On property rights in the post-Communist world, see Stanislav Markus, "Secure Property as a Bottom-Up Process: Firms, Stakeholders, and Predators in Weak States," *World Politics* 64, no. 2 (2012): 242–77; Timothy Frye, "Credible Commitment and Property Rights: Evidence from Russia," *American Political Science Review* 98, no. 3 (2004): 453–66; and Timothy Frye, "Original Sin, Good Works, and Property Rights in Russia," *World Politics* 58, no. 4 (2006): 479–504; David L. Weimer, ed., *The Political Economy of Property Rights: Institutional Change and Credibility in the Reform of Centrally Planned Economies* (Cambridge: Cambridge University Press, 1997); Jessica Allina-Pisano, *The Post-Soviet Potemkin Village: Politics and Property Rights in the Black Earth* (Cambridge: Cambridge University Press, 2008); Jessica Allina-Pisano, "Sub Rosa Resistance and the Politics of Economic Reform: Land Redistribution in Post-Soviet Ukraine," *World Politics* 56, no. 4 (2004): 554–81; Katherine Verdery, *The Vanishing Hectare: Property and Value in Postsocialist Transylvania* (Ithaca: Cornell University Press, 2003).

<sup>47</sup> Larsson, *Land and Loyalty*.

<sup>48</sup> Tulia G. Falleti and Julia F. Lynch, "Context and Causal Mechanisms in Political Analysis," *Comparative Political Studies* 42, no. 9 (2009): 1143–66.

I will argue that the parties adopt such positions somewhat strategically as a part of their expectations regarding the outcomes of a much wider program of reform and transition.<sup>49</sup>

Last, the strategic bargaining approach assumes that the participating parties understand their expected interests (or at least they have clear ideas about their expected interests) and they negotiate accordingly. In contrast, I find that bargaining occurs under conditions of “genuine uncertainty,” in which “past events are not necessarily a reliable guide to future probabilities.”<sup>50</sup> As the next chapter demonstrates, the path of land reform and commodification in China was highly contingent, and actors faced extreme uncertainty: uncertainty about what to expect and prefer in terms of property rights change but also uncertainty about the direction of economic and political reform, the statuses of groups and individuals, and, especially for policy-makers, which property arrangements were most beneficial for their own interests as well as for those of society. The approach to bargaining in this book, in contrast to strategic bargaining, includes attention to experimentation, when actors briefly adopt some arrangements to examine the consequences and then sometimes discontinue them, as well as to transformation, when actors change in their preferences and desires in the process of negotiation. Bargaining, in this approach, is the interaction among various social and political actors and their ideas, during which both power and preferences may change.

In all of the case study cities, groups inside and outside the local state bargained over the organization of property rights and the rules governing land markets. Land and property rights also figured prominently in other political bargains, such as over employment, enterprise reforms, and the retreat of socialist welfare provisions. But land figured differently in urban distributive politics as the cities undertook reforms at different times; constrained and capital-scarce urban governments used informal, and sometimes formal, property rights as forms of redistribution and political appeasement, whereas stronger and more resource-rich governments consolidated their own control

<sup>49</sup> Jessica Allino-Pisano makes a similar argument about land privatization in rural Ukraine. Because local officials objected to the dissolution of the large conglomerates that had guaranteed economic and social security to their constituent populations, instead of blocking reforms in order to enrich themselves in formerly collectivized areas they engaged in “sub rosa” resistance against privatization programs that would have turned the countryside over to individual farmers. Allina-Pisano, “Sub Rosa Resistance and the Politics of Economic Reform.”

<sup>50</sup> Here, I intend to invoke an idea of uncertainty associated with constructivist thought. That is, instead of envisioning a “materially unambiguous world . . . populated by agents with clear interests whose realization rests on available resources, barriers to collective action, and further information restrictions,” the Chinese political context was one in which many outcomes in question would have been perceived as unique, and therefore impossible to calculate or strategize exclusively on the basis of material interests. Rawi Abdelal, Mark Blythe, and Craig Parsons, “Introduction,” in *Constructing the International Economy*, ed. Rawi Abdelal, Mark Blyth, and Craig Parsons (Ithaca, NY: Cornell University Press, 2010), 12.

over the land by rendering firms and residents dependent on the state for economic survival. The irony is that the state became the major landlord in the most “market-exposed” cities, whereas socialist decline (the dismantling of state ownership) actually presaged the emergence of land markets and nonstate property rights in the more “unexposed” cities. Put differently, the cities that housed global capitalism appeared to be the least capitalist in their land arrangements, whereas the cities long thought to be in a postsocialist stupor were quietly and unintentionally adopting capitalist forms of property arrangements.

### **Moral Entitlements**

Finally, the approach in this book devotes as much attention to moral arguments and claims as it does to material or distributional conflicts. Other approaches acknowledge that legal precedents and distributional norms affect the negotiation environment, but the focus is primarily on power resources and material gains and losses in the process of institutional change.<sup>51</sup> Yet, under conditions of general social and political change and when actors are uncertain about potential distributional outcomes, moral arguments and claims to moral legitimacy are fundamental to debates about what kinds of property rights arrangements are just or optimal. Property rights debates of all kinds involve competing narratives about what arrangements are normatively best. Arguing that one arrangement is more efficient than another is simply one example of a normative argument – one that holds a great deal of persuasive power in some environments but very little in others.

Because national-level expectations about land markets were ambiguous and local policy was set by experimentation and according to local needs, the moral content and persuasive power of claims to land and space were of particular importance. Rather than responding exclusively to efficiency motivations, local governments and social groups articulated different political and moral views on the use of land and property, and on the rights and entitlements of various groups, as the economic reforms reshaped urban built environments. Property rights regimes are molded not only by the coercive power of the state and the competing economic interests of various state and social groups, but also by ideological debates in which different approaches to property rights acquire or lose legitimacy.

Although it is easy to imagine, as many have, conflict over property rights in urban and periurban China as one of social resistance against a powerful and coercive local government, such a view does not accurately describe the ways in which different property rights regimes were generated and experienced. In cities where the local state established itself as an exclusive urban landlord,

<sup>51</sup> Libecap, *Contracting for Property Rights*, 18.

government actions were accompanied by ideological campaigns to recast evictions and dislocations as necessary elements of local efforts to compete and prosper. In other cities, social groups lodged successful “moral economy” claims only after they received messages from local governments that they were entitled to land and urban property. The negotiations and struggles over property rights were less about defending and specifying a “right” bestowed from above by some third party and more about establishing the local rules of political and economic engagement.<sup>52</sup> Local economic and political orders were hardened and reproduced as agents of both state and society repeatedly drew on the ideological, moral, and persuasive content of claims to urban land and property.

#### ORGANIZATION OF THE BOOK

In Chapter 2, I offer a genealogy of land in contemporary China, tracing how political authorities envisioned land as a resource from before 1949 to commodification in the 1980s to “fiscalization” in the 1990s and 2000s. By examining critical moments in the organization of land control and property rights in China, I make the case that political imperatives motivated decisions to change property rights arrangements over land, and the kind and degree of value in land – and to whom that value would accrue – were the results, rather than the causes, of formal and informal institutional change. For a large sweep of recent Chinese history, land was chiefly imagined as an input for production, and land property policies aimed to maximize the production value of land. Only in the 1980s did the idea of land’s “exchange value,” or land as capital, become widespread among Chinese elites.

The chapter also analyzes China’s first reform era real-estate boom and bubble from 1992 through 1994 and the policy reactions. Drawing on official and popular sources from the period, I show that real estate and land investment and exchange in China in the early 1990s bore a much stronger resemblance to open markets than anything thereafter. Analysis of the causes of the bubble led the CCP to adopt a number of changes to property rights over land as well as other fundamental political economic institutions. Most frequently omitted from accounts of the Chinese political economy in the 1990s, the politics of land control were at the center of the seismic changes to fiscal and

<sup>52</sup> This approach to urban politics is not novel, but it draws on a foundational understanding of political power – particularly the local variety of political power – that has been lost in contemporary comparative and China-specific debates about subnational politics. This perspective privileges the autonomy of urban politics, envisions power as dispersed and contingent, and conceptualizes political outcomes – policies, economic growth strategies, property rights, and so forth – as products of political interactions among groups and individuals. For a similar approach, see Norton E. Long, “The Local Community as an Ecology of Games,” *American Journal of Sociology* 64, no. 3 (1958): 251–61.

financial institutions. The structure of contemporary Chinese capitalism – the institutional arrangements that determine political and economic incentives and investment – was indeed forged by reforms to these systems. Ultimately, I find in the real-estate bubble and its aftermath the story of how land in China went from being a state resource to a commodity to “fiscalization” – “the management of land resources by political authorities for the purpose of generating fiscal revenue” – that has generated the tremendous political and economic challenges outlined at the beginning of this chapter.<sup>53</sup>

Chapters 3 through 6 turn to the city cases. Chapter 3 provides an overview of the cases and comparative data. I show how the three cities diverged during the process of opening to global capital and reforming the state sector during the 1980s and 1990s. The chapters are organized to show the utility of the theoretical framework – viewing property rights regimes as products of political bargaining and moral entitlements – by describing the initiation of, negotiation over, and moral language that accompanied land markets in the context of each city’s experience with economic reforms. Because the individual case chapters are relatively self-contained, Chapter 3 does much of the comparative work and puts each city into the regional context.

The sources in these chapters include primarily local documentary materials and some interview and ethnographic data. When possible – for the vast majority of claims – I cite documentary sources rather than interviews. Many of these materials are publicly available, for example, local yearbooks (*nianjian*, 年检), gazetteers (*difangzhi*, 地方志), or nationally circulated magazines or journals in which local planners or bureaucrats publicized their ideas. In Harbin and Changchun, I enjoyed access to local municipal archives, where I was able to view materials internal to agencies of the local government, such as the Urban Planning, Land Use, and Housing Bureaus. In all three cities, I benefited greatly from the generosity of local bureaucrats, officials, and academics, who granted me access to local documents, such as urban and land use plans, statements of policy direction, and local memos and directions about granular neighborhood-level plans. As much as possible, I endeavored to use materials from similar sources in each city, for example, comparing ten- and twenty-year urban plans and land use plans. In addition to providing an overall narrative about the cities’ reform efforts and the role of land markets and property rights, the chapters on Harbin and Changchun track the experiences of neighborhoods within the city to illustrate the argument at a lower level.

The concluding chapter explores the meaning of China’s national and sub-national systems of property rights over land in terms of China’s past, present, and futures models of urbanization. I argue that by pursuing land-driven, state-controlled urbanization, the CCP is proceeding on an unprecedented path of economic transformation and human migration. I also examine prospects for

<sup>53</sup> Definition from Whiting, “Values in Land,” 570.

reform in China's land institutions and central-local relations. Ultimately, I conclude that state ownership of land was indispensable to both economic growth strategies and urbanization in the past, and it is likely to remain so in the future.

I also explore the larger implications of the political theory of property rights developed in this volume. Dominant approaches to the origins of property rights focus either on efficiency motivations or on how property rights, once clarified and enforced, empower some groups or generate incentives for certain types of behavior. Drawing on a tradition that emphasizes – to the point of preoccupation – the function of rights as a limit to the power of the state, these approaches fail to establish an understanding of why state actors pursue predatory behavior for any reason other than because they can. We are left to assume that, without limits to the form of legally enforceable claims to rights, state power expands infinitely throughout society, just as gas will expand to fill whatever volume is available to it.

Instead, I have made the case for viewing property rights change as endogenous to the political process and in the context of larger political changes. In this view, the more fundamental question becomes the level of mutual dependence between state and society that induces governments to refrain from predatory behavior, whether there are limits in place or not. In the Chinese case, that mutual dependence has been forged and destroyed as fiscal relations between local governments and the economic agents in society have changed. In Latin America and India, this mutual dependence is political as well as economic because political parties depend on alliances with property rights claimants for electoral success. Ultimately, I propose a research agenda that centers on the core bonds between governments and societies as an alternative to isolating, and frequently decontextualizing, the effects of specific institutions.