



Who drives the formation and adoption of the "increasing versus decreasing balance policy"?—Evidence from a policy process analysis



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ABSTRACT

The “increasing versus decreasing balance policy (IDB)” is an important land use innovation in China and it transfers developmental rights from less productive rural land to more productive urban construction land. Since its initiation in 2000, it was soon adopted in almost all provinces in China. In the process of transferring developmental rights, what roles do different levels of governments play and why? To answer these questions, this research conducts a policy process analysis by combing the methods of process tracing and multi-level event history analysis. It finds that the policy process of IDB is a bottom-up one. The prefectural level governments are the engine of the whole process for they gain direct benefit from the transfer of developmental right. Provincial governments, on the one hand, act as a hub connecting local to central; on the other hand, fail to regulate and supervise the implementation. Central government is pushed by the force from local to enact the policy of IDB but also shows lukewarm support to it with a concern that it might deviate from the Pareto increase and damaged peasants’ wellbeing. This research explores the complicated inter-governmental relations in land policy-making process in China and also proposes policy implication on IDB’s future implementation.

1. Introduction

Rapid urbanization and market-oriented economic reform in China have brought numerous changes in land use. The significant contradiction between the supply and demand of urban construction land is one of them. Facing this problem, scholars and policy-makers have reached a consensus, believing that the unbalanced distribution of construction land among urban and rural areas is the key (Gao and Li, 2015; Lin, 2007). While economic development drives the urban areas’ craving for more construction land (Lin and Ho, 2003), rural land, under strict government control caused by concerns over food security, cannot be easily sold or converted to urban construction land. China’s rigid land use plan and hierarchical land regulation system is confronted with great challenges. With the deepening of the urbanization process and economic reform, this contradiction has become increasingly prominent. The coexistence of the lack of urban construction land, the underutilization of rural construction land and the difficulties in conversion of farmland to alternative uses create a major problem.

Since the early 2000s, Chinese governments have started to launch gradual land reforms to resolve this problem. One innovative reform is the policy known as “increasing versus decreasing balance” (IDB)

between urban and rural construction land (*Cheng Xiang Jian She Yong Di Zeng Jian Gua Gou*). By connecting the increase in urban construction land with the decrease in rural unused or vacant construction land, policy-makers believed that a spatial equilibrium between construction land supply and demand could be achieved. At the same time, through land consolidation, the fixed amount of arable land would not be threatened (Liu et al., 2014; Long et al., 2012). Under this policy, an indirect transaction channel for construction land to move between rural and urban areas was established (Tian et al., 2015).

The policy document of IDB, “*Proposals for regulating the pilot of increasing vs. decreasing balance of urban-rural built land*”, was firstly issued by the Ministry of Land and Resources (MLR)¹ in 2005 and it stipulated the key objectives, basic implementation requirements, principles, and core content of this policy. In 2006, the central government announced the start of the first round of policy experiments of IDB and five out of eight applicant provinces and/or cities were chosen as experimental pilots. After two years’ experimental implementation, in 2008 MLR issued another formal document, “*Administrative measurement of IDB’s experimentation*”, allowing provincial governments to try their own local experiments with approval from MLR. By the end of 2013, all provinces and autonomous regions in mainland China (except

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¹ The Ministry of Land and Resources was reorganized and renamed as Ministry of Natural Resources in March 2018.

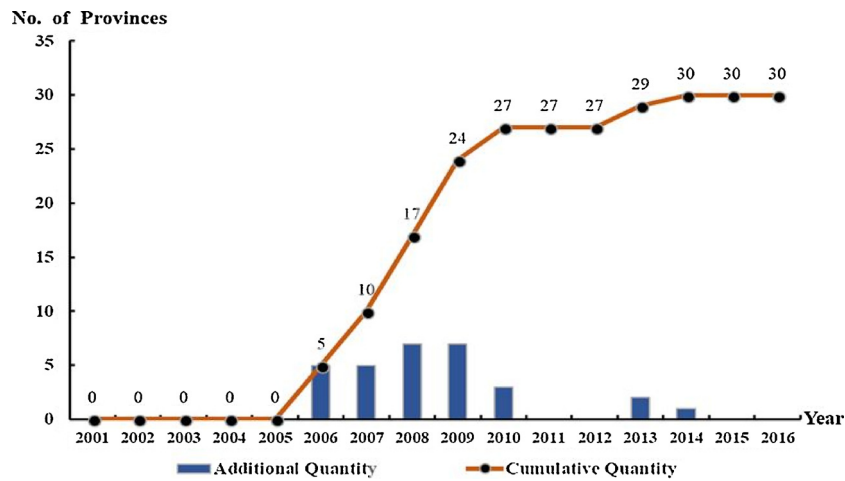


Fig. 1. The diffusion of IDB adoption among provinces.

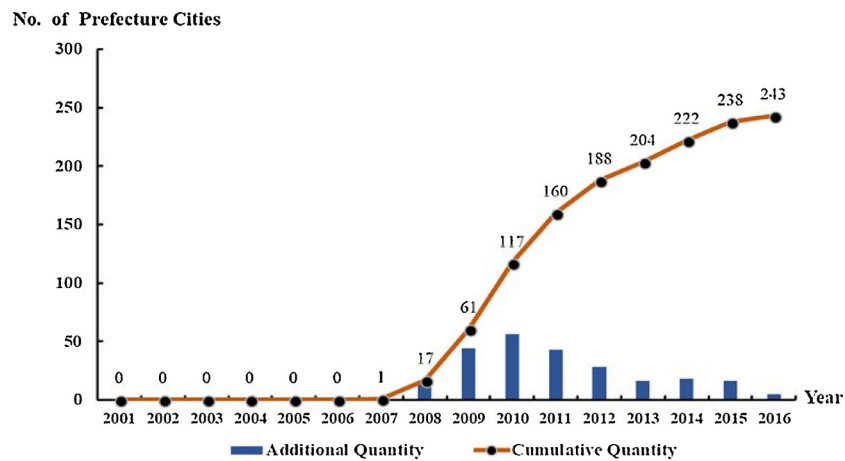


Fig. 2. The diffusion of IDB adoption among prefecture cities.

Tibet) have adopted the IDB policy. The following figures show the diffusion over time of IDB adoption in provinces and prefectures, respectively (Figs. 1 and 2).

As an important land use policy innovation, the IDB policy introduced market mechanisms into the existing land use system while insisting on the state-ownership of land resources and maintaining the hierarchical land management system. The IDB policy is a major reform for China's land use policy, giving local governments a certain degree of autonomy to redistribute land resources and allocate their urban and rural construction land quotas. It has played a creative role in breaking the segregated land markets in urban and rural areas² and has direct impact on the lives of both urban and rural residents.

This policy has drawn a lot of attention from scholars. For example, there has been research into the policy arrangements of land consolidation under the influence of IDB (Xu et al., 2011), assessments of IDB's influence over rural life and the social structure of villages (Long et al., 2012; Zhao and Zhang, 2017), and the innovation of IDB (Liu et al., 2014). Although these existing studies, to a large extent, reveal the outcome and influence of IDB, they fail to identify the policy process of IDB. In other words, these studies did not answer the questions of why and how China issued the policy of IDB, nor did they examine

² China's land regime is one of urban-rural segregation. The urban land is state owned and rural & suburban lands are collectively owned. Rural and urban land are governed by different laws, regulated by different agencies and segregated into different markets. For more detailed introduction of China's land use policy, please refer to (Ding, 2003; Ho and Lin, 2003).

the adoption of IDB nationwide.

Essentially, the IDB is a transfer of developmental rights and its mechanism is similar to that of Transferable Development Rights of the United States (Tian, 2014; Tian et al., 2015). China's land management system includes three levels of governments—central, provincial, and local. Then in the process of urbanization, who owns the benefit brought by land resource? What are their attitudes toward this transfer of developmental rights? Can the transfer of developmental rights bring any policy implication to China's land management system in the future and even to the world?

Bearing these questions in mind, we therefore investigate the policy process of IDB. To be more specific, we examine why and how the IDB was formed and adopted through the multi-level governmental structure of China. What was the driving force behind the formation and adoption of IDB? What roles do different levels of government play in the policy process? By answering these questions, this article not only provides a more comprehensive picture on the specific IDB policy, but also seeks to arrive at a better understanding of the logic behind China's land policy in general.

To answer our research questions, we conducted a policy process analysis by combing the methods of process tracing and multi-level event history analysis (EHA). With this mixed method of both qualitative and quantitative research, we find that, contrary to most scholars' intuitive prediction, the policy process of IDB is a bottom-up one, in which prefecture level governments are the engine of the whole process. The provincial government, standing between the central and local governments, acts as a connecting hub and forms double

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