



Effects of path dependencies and lock-ins on urban spatial restructuring in China: A historical perspective on government's role in Lanzhou since 1978

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ABSTRACT

The spatiotemporal pattern of gradual institutional transformation since 1978 has formed a model of “administrative urbanization” and driven the progress of restructuring urbanization in China, called Chinese-style urban spatial restructuring (USR). The USR exhibits apparent path dependencies and lock-ins, and so needs to be understood within a comprehensive historical context. In China, USR is an institutional progressive system formed under a myriad of complicated driving forces, such as less Foreign Direct Investment (FDI) and more SOEs–SCs–NWUs referring to state-owned enterprises, shareholding cooperatives dominated by government, and non-produced work-units in inland. Therefore, USR needs to be clearly analyzed in order to understand the spatiotemporal urbanization. This paper makes two arguments, the first being that even in light of recent trends towards strong local authority, USR is still dominated by the central government party. Secondly, we developed a model that identifies the path-dependency of SOEs–SCs–NWUs' location and relocation, state's institutional reform, and actor (re)locating-led lock-ins and regionally gradient lock-ins from the process of USR for Lanzhou, China, which is one of the largest inland cities in the country. Given USR of coastal cities is more frequently studied, this study provides a key step in understanding the role of local and central government agencies in USR of China's large inland cities.

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1. Introduction

Since the reform of the late 1970s, China has adopted a gradual and experiential approach of institution reforms that has led the social-economic restructuring in China. The Chinese institutional reforms in particular have forged China's state-led urban growth by reshaping the government – to – market relationship (Wang, Potter, & Li, 2014). Triggered by the varied transitions of decentralization, marketization, and globalization in China (Logan, 2002; Wei, 2007), the post-socialist cities in China are the typical transitional cities characterized by transitional institutions, developmental/entrepreneurial states, and hybrid urbanization (Harvey, 1989; Wei, 2012; Wu & Phelps, 2011; Zhang & Rasiah, 2014; Zhu, 2005). The Chinese government has been transformed into a developmental/entrepreneurial entity (Li & Li, 2009; Luo & Shen, 2008; Wei, 2005, 2012; T. Zhang, 2002; T.W. Zhang, 2002) which has resulted in specific urbanization characteristics, such as “jurisdictional economy” and “administrative urbanization” (Liu, Yin, & Ma, 2012). However, the progress of industrialization or tertiarization growth of cities has been central to the development of societies, and service industries are increasingly important as instruments of urban

growth and change over the past half-century, which requires innovative policy commitments and regulatory adjustments (Hutton, 2004). But in China, both industrialization and tertiarization are crucial to city development since the reform (Yang, 2013). Compared to the western counties, urban spatial restructuring (USR) in China has progressed from China's model of socialist internal spatial structure to a capitalist model in western counties (Marcuse & van Kempen, 2000). USR in China has promoted economic growth, which is characterized by investment in rapid urban built-up areas and population expansion, functionalizing land uses, multi-layered space, spatial rescaling, spatial fragmentation, suburbanization and peri-urbanization for industry and housing by comprehensive housing development and development zones or university towns, and a more dispersed polycentric spatial pattern of many large cities (Feng & Chen, 2010; Luo & Shen, 2008; Ma, 2005; Qian, 2012; Wei, 2005, 2012; Wu & Yeh, 1999). Studies on USR from the perspective of institutional transition have been explored in the aspects including economic reform (Ma, 2004; Stephen, Choy, & Ho, 2007; Susan & Clifton, 2006; Wu, 1997, 2002), housing and land reform (Ding, 2004; La, Ding, Tsai, Lan, & Xue, 2008; Li & Li, 2007; Logan, Bian, & Bian, 1999; Luo & Shen, 2009; Qian, 2008; Wang & Murie, 2000; Wang, Wang, & Bramley, 2005; F. Wu, 2004; W. Wu, 2004), work-unit transformation (Chai, Xiao, & Zhang, 2011; Qian, 2014) urban regimes or urban growth collision engines (Stone, 1989; Zhu,

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1999), place and place-making (Friedmann, 2007; Wu, 2000), urban planning (Zhang & Wu, 2008), socio-spatial restructuring (Ma, 2004), metropolitan polycentric urban forms (Feng, Wang, & Zhou, 2009), driving or evolving forces such as urban governance and local policy interventions (Hutton, 2004; Qian, 2012), urban villages, e.g., Huang (2004), and gentrification (e.g., He, 2007). Wu (1997); Ma (2004) and Qian (2012) demonstrated how local government has approached urban restructuring to realize gains from the property market boom, re-structure urban space and strengthen urban governing capacity, and therefore illuminate the influences of changing power dynamics and policy rhetoric on USR.

The aforementioned research shows that three critical aspects need to be explored and examined. First, the trajectories of USR developed in the broad contexts of economic transition policies, globalization, and the different local processes embedded in city-specific culture, history, and economic and political systems (Li & Li, 2009; Wei, 2012; Yang, 2013), have resulted in China's fixed path-dependencies and lock-ins of USR, far beyond the evolutionary and path-dependent urban changes in advanced capitalist cities (Marcuse & van Kempen, 2000). Here, lock-ins refer to the rigidity and inflexibility in urban resident migration, urban housing and land development, and other urban development elements that directly result in the specific and regulated modules of urban spatial restructuring (e.g., Wei, 2007). These factors need to be identified because they are the key to understanding USR decisions and are crucial to resolving the relationship between USR and the changing roles of the state as well as the transformation of Chinese cities. Second, case studies from a historical and comprehensive point of view are studied in order to have a comprehensive understanding of USR in China. Third, previous studies have focused on coastal cities, while inland cities especially in west China have been overlooked. It is important to consider that the levels and extent of USR largely constitute a continuous spectrum (Wu & Zhang, 2008) from coast to inland. The cases of inland cities deserve further attention because they can provide arguments, statements, and produce discussions surrounding unique issues in regards to the special particularities and ancient customs of the inland cities. This would enrich the current theory of USR and improve understanding of the difference of USR between the coast and inland.

Using Lanzhou as a case study, the objective of this article is to systematically reveal how USR evolves logically and historically through the path-dependencies and lock-ins. USR is studied as a type of urban process in the context of institutional innovation in China (Harvey, 1973, 1978). Starting in the early 1990s the data for this paper was collected for an urbanization study of Lanzhou. The datasets were obtained from the Lanzhou Statistical Bureau and by interviews, in which more than 23 chief local officials and 34 vice general managers and/or directors have disclosed their understanding of the impacts of institutional transformation on USR. The research methodology focuses on the structure–agency approach (e.g. Healey, 1992, Healey & Barrett, 1990) and the behaviourist approach from a historical point of view. Since the reform in the late 1970s, the local bodies including local governments, local communities, smaller private sectors, and localized investigators, under the opening systems designed and modified continuously by central government, play an increasing number of roles in urban development by acting as district characters and behaviour bodies. These roles result from path dependence and lock-ins that characterize a city's societal, cultural, and even economic characteristics and result in the transformation and spatial restructuring of urban society, economy, and culture.

2. Path-dependencies and lock-ins in USR

The state's intervention is the most obvious feature of China's institutional innovation, which results in regional path dependency and lock-in (Wei, 2007). From the institutional reform perspective, we understand that local governments have attempted to improve urban

economic growth through USR by taking advantage of gradual institutional reform. The local state has played important roles in city-making (Liu et al., 2012) and the mechanisms and processes of urban space change. The pattern of gradual institutional reform incurs the mode of USR. Urban studies need to clearly identify the path-dependency of SOEs–SCs–NWUs' relocation, of state's institutional reform, as well as the lock-ins in order to deeply understand USR.

2.1. The SOEs–SCs–NWUs

SOEs–SCs–NWUs refer to State-Owned Enterprises, Shareholding Cooperatives dominated by government, and Non-produced Work-Units located inland. SOEs–SCs–NWUs have played a large role in USR, especially for the cities of inland China. Although state-owned enterprises are decreasing in percentage and number, their national and regional roles and impacts have been enhanced, and specifically they become the pillar industries for Lanzhou and other inland cities (Yang, 2013). There are typically two types of shareholding cooperatives in China, one type is typical corporate enterprises like those in western countries, and the other is share-reformed collective enterprises; these enterprises are called SCs in this study, and they have increasingly played roles in urbanization and urban development. Work units (WUs, called *Danwei* in Chinese) have faded out in China and are probably no longer as influential as they were since the early 2000s (Qian, 2014). However, WUs are not distinguished in China and a new system of WUs is forming in a market system (Chai et al., 2011). The NWUs have adjusted themselves to the market, but they are not a real corporate entity (Chai et al., 2011), and are more influenced and even managed by their higher authorities in local and central governments, which is more typical in inland cities.

The relationship between SOEs–SCs–NWUs and the government determines how SOEs–SCs–NWUs drive USR. In practice, the relationship is prevalent in defining the boundaries for how USR could be logically understood from the point of view of historical institutional evolution.

Under socialism, all work-units were de facto subordinated to the various ministries or upper agents who decided their 'birth and death', including the location and relocation required for complying with the urban master plan. Thus, the location and spatial expansion of WUs controlled by sectoral departments ultimately determined the urban spatial structure. Chinese cities are configured with overlapping production and reproduction spaces integrated through WUs which resulted in a mixed, cellular pattern of the urban spatial structure (e.g., Ma, 2004).

The decentralization of China's reform since 1978 suggests that the state's departments rooted in widely changing political and economic structures continue to have the ability to intervene in local economic development. Simultaneously, local empowerment stemming from the central government has been responsible for gradual local development (Yang, 2013). In the process of institution reform, large numbers of WUs have been privatized or transferred to a lower level, such as from the Ministry to metropolitan government, but the key large-scale WUs are still under the various ministries that exhibit the characteristics of socialist ideology. For the larger WUs, it is believed that continual control maintains social stability. In reality, SOEs–SCs–NWUs are controlled by various upper agents primarily through the designation of principal managers and the (re)allocation of capital and/or profit. How, what, where and when SOEs–SCs–NWUs relocate should be subject to the agencies or at least be involved in the bargaining process between them. Furthermore, although they have corresponding rights, the local government is usually subject to upper sectoral departments, particularly when SOEs–SCs–NWUs are operating on behalf of current pillar industries or burgeoning industries that the city approves. Hence, the intentions of SOEs–SCs–NWUs and their upper agencies' capability of bargaining with the local government, together with the guidance of urban planning and the local development strategy, decide whether, when, where, and how they move out or expand spatially. Urban planning or the local government is often constrained by the new sites

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