



Forging growth by governing the market in reform-era urban China



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ABSTRACT

China's accelerating urban growth over the past decade has been examined from the perspectives of state devolution or place-making initiatives. Relatively little has been written to contextualize the burgeoning urbanism in China's reform and the resultant changing relationship between state and market. Through an investigation of fiscal and land use reforms since the mid-1990s, this paper argues that China's gradual and partial reform has fundamentally re-engineered local states from inward-looking market actors running business to entrepreneurial market governors controlling land supply. Though this transition has triggered urban growth by leveraging manufacturing and real estate capital, it has also introduced constraints for future urban development by generating inter-regional tensions and making further reforms politically difficult. This paper concludes that sustainable urbanism requires a more clearly oriented and more holistic reform framework.

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Introduction

Nobel Prize winner Joseph Stiglitz asserts that the two key influences on human development in the 21st century will be high-tech development in the United States and urbanization in China (People's Daily Online, 2005). It has been well recognized that China has accomplished astonishing urban achievements since its opening (Hsing, 2010; Ma & Wu, 2005; McGee, Lin, Marton, Wang, & Wu, 2007). Moreover, China's urbanization has accelerated significantly since the beginning of this century. For example, the growth rate of urban built areas abruptly surged from a mere 0.7% in 1999 to 4.2% a year later and has been maintained around 5% since then (National Bureau of Statistics, 2011).

Explorations of China's urban growth dynamics to date have focused either on the broad structural changes in the global economy (Jessop & Sum, 2000), domestic devolution to localities (He & Wu, 2009), or specific tactics in city-making (Wang, Zhang, Zhang, & Zhao, 2011). These perspectives are conceptualized as a triple process of globalization, decentralization, and marketization that empowered local state and market forces in urban development (Wei, 2007). Despite a considerable volume of literature discussing China's specific reforms and their urban impacts, what remains less clear is how the overall path of China's reform has shaped and reshaped the relationship between state power and market forces,

that in turn forges the accelerating growth of Chinese cities in the past decade, and how China's reform should be re-engineered for more sustainable urbanism. This paper works to fill the gap in the current literature on Chinese urban dynamics research by situating China's urban accomplishments in the recent decade in the context of its gradual and partial reforms whose manifestation in contemporary Chinese urbanism introduces unique opportunities and limitations for its urban future. Particularly, fiscal and urban land use changes are two examples that will be used to elaborate the gradualism and partiality of reforms. It argues that reforms designed to solve imminent problems during transition have worked indirectly to shift the local state from a protectionist market actor before the mid-1990s into a proactive promoter of investment in physical construction and goods production with fundamental governing power over land market. It further demonstrates that the piecemeal reforms generate new sets of challenges for China's future growth and has now to be complemented by more explicit orientation and more holistic framework design.

The rest of the paper proceeds as follows. The following section reviews the theorization of China's urbanization and practical strategies to trigger urban growth, as discussed in the literature. The paper then analyzes China's gradual fiscal reform and partial land use reform and investigates their impacts on the tension between state and market and the pattern of urban growth. This is followed by a discussion of the ensuing distortions and inter-regional disparities. The paper concludes by addressing the limitations of China's past piecemeal path of reform with a call for more holistic reform framework.

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Urban growth in the context of China's reform

By and large, urban growth in China draws scholastic attention from two different perspectives. One mainly deals with the shifting state governance on the macro-level. It argues that the Chinese state has been fundamentally restructured from a socialist state that enshrines economic egalitarianism and social collectivism to an entrepreneurial state that actively pursues urban growth and competitiveness (Li & Li, 2009; Ma, 2002). The transformation is shaped by both external and domestic forces in which globalization placed China in a global web of flows and institutions, marketization reduced state control of the economy and weakened its command over society, and decentralization conveyed local states greater autonomy. This transformation is further theorized within the framework of regulation theory, according to which the ineffective organization of socialist production and consumption triggered a crisis in China's regime of accumulation (Wu, 2003). This crisis prompted the shift of mode of regulation from centralized command economy toward decentralization and marketization. Supported by this regulatory scheme, urbanization has emerged as a competitiveness-oriented regime of accumulation in place of the crisis-ridden state-led industrialization, and the local state rose as an "entrepreneurial" entity proactively engaged in place-making (Hausner, Jessop, & Nielsen, 1995; Ma, 2002; Wei, 2012; Wu & Zhang, 2007).

The second strand of investigation largely takes a micro-level perspective by focusing on the particular local organization, strategies, and implementation of urban growth dynamics. These authors have found that the political manifestation in China is typically a pro-growth coalition featuring strong local governments supported by cooperative non-public sectors and excluding community organizations (Zhang, 2002). They identify the dominant tactic for triggering urban growth to be the land-based practice of "capitalization of land" (Lin & Yi, 2011) or "land commodification" (Xu, Yeh, & Wu, 2009), which was not seen before the mid-1990s (Yeh & Wu, 1996). It is asserted that both land development for revenue generation and regulatory land control for consolidated governance are ways for the state to be involved in space commodification. Studies have also identified other forms of unfolding entrepreneurialism both within cities and even beyond. The former includes a wide variety of public-private partnership approaches to finance urban infrastructure building (Wang, 2011; Wu, 2010) and city branding through mega-events and tourism promotion (Zhang & Zhao, 2009). The latter involves land reclamation and expropriation through annexing suburban towns and counties (Shen, 2007), rescaling efforts through inter-city cooperation (Chan & Xian, 2012), and even wider polycentric city-regions building (Wu & Phelps, 2011; Xu, 2008).

Although both macro-level and micro-level studies have addressed China's urban momentum associated with particular reforms and transitions, relatively little pays attention to the overall path of reform and the resultant changing relationship between state and market. The governed market approach, albeit less explicitly concerned with urbanism, illustrates how state interventions in the East Asian region are deployed through institutional organizations to govern the free market and build the competitiveness of the domestic economy (Wade, 1990). Despite its insightful identification of the tension between state and market as the cause of economic success, this "governed market" approach treats interventions as intended means designed by central state to catch up with the industrialized West, rather than local state actions derived from the path of domestic transition but largely unintended by the center. The lack of reform path perspective makes it difficult to interpret the faster pace of China's urban changes in the past

decade or distinguish it from other countries that are under specific reforms that are analogous to those in China as well (Goldman, 2011; Young & Kaczmarek, 1999).

China's reform has often been portrayed as a partial and gradual process. It has been gradual in the sense that reform has focused on imminent problems of the socialist legacies, and it has been partial by preserving state capacity for market intervention. In 1980, when China just initiated reform policies, Deng Xiaoping used the metaphorical phrase of "Groping for Stones to Cross the River" to convey two features of China's reform. One is its experiential gradualism in pace. Without a complete framework with clear orientations and planned steps, most of China's reform policies have been motivated by imminent problems and have proceeded in a trial-and-error manner. This puts the nature of the state under constant transition and generates divergent interests between the national and local states, which has not been explicitly captured by the conventional "governed market" perspective. The other feature is its partiality in scope. China adopts a partial approach in which socialist state allocation co-exists with the market mechanism. Instead of dismantling all pre-existing economic institutions as prescribed by shock therapy for Eastern European countries, China introduces market but preserves state capacity for intervention. This creates a new "governed market" condition that has been maneuvered by local states for growth purposes instead of competitiveness building as illustrated by the international development theorists. Starting from an analysis of China's major reforms, this paper will discuss the implications for the transition of local states, their market governance tactics to generate growth as well as potential challenges for urban China.

The methodology of this study is essentially interpretative. Major efforts were made to explain urban growth over the past decade by disentangling the complex interactions between reforms, state-market interactions, and urban dynamics across Chinese cities. It blends extensive interviews at four coastal (Beijing, Dalian, Qingdao and Xiamen) and four hinterland municipalities (Xiayang, Wuhan, Nanchang and Changsha) conducted between 2009 and 2012 as part of a larger project pertinent to this study with analysis of official data sources and archival records collected from government files, media reports, or academic journals. Although these interviews rarely produced quantitative data that can be put into a systematic analysis, they convey a critical sense of the growth dynamics across cities of different ranks and guide us in generalizing the patterns, tactics, and implications of the growth logic through the use of data compiled from official publications and archival materials. To minimize related risks associated with the unreliability of China's official statistics (Chan & Hu, 2003; Fu, 2000), this paper employs data in a ratio-based manner and cross-checks results with interview findings to ensure consistency and comparability. Furthermore, not all official statistics are equally subject to manipulation. Public financial figures have to be consistent with the money actually collected and dispensed and are believed to be more credible than those unilaterally reported by authorities.

Fiscal reform and transition of local states

Restructuring of fiscal schemes started from the beginning of China's reform in the late 1970s and has been in progress even to date (Jin & Zou, 2005; Wang, 2011; Wu, 2010). This longitude best exemplifies the experiential nature of China's reform and puts the role of local states with regard to market under constant changes. By studying China's fiscal regime restructuring process, this section reveals how Chinese local states have transitioned from protectionist market actors to proactive investment promoters targeting mobile manufacturing and real estate capital.

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