



Crisis-induced reform, state–market relations, and entrepreneurial urban growth in China



Lei Wang^a, Cuz Potter^{b,*}, Zhigang Li^c

^aInstitute for the Development of Central China, Wuhan University, Wuhan, People's Republic of China

^bDivision of International Studies, Korea University, Seoul, Republic of Korea

^cDepartment of Urban and Regional Planning, Geography and Planning School, Sun Yat-Sun University, Guangzhou, People's Republic of China

A B S T R A C T

Keywords:

Reform
State–market relationship
Entrepreneurialism
Urban growth

The urban entrepreneurialism literature on China has focused either on macro-level state devolution or on micro-level place-making initiatives. Little has been written on the meso-level question of how the mode of regulation in general or institutional reforms in particular have worked to forge China's state-led urban growth by reshaping the state-market relationship. Through an investigation of China's crisis-induced fiscal and land use reforms since the mid-1990s, this paper argues that piecemeal, gradualist reform has transformed local states from protectionist market actors to investment promoters with monopoly power over land markets. Though this shift has supported entrepreneurial urban growth driven by manufacturing and real estate investment, it also tends to aggravate inter-regional and urban-rural tensions. As a country in transition that faces multiple challenges, China needs more holistic reform framework for sustainable growth.

© 2013 Elsevier Ltd. All rights reserved.

Introduction

The urbanization of China's population and economy since its opening has been breathtaking (Hsing, 2010). The process has been manifest in the rapidly increasing urban proportion of the population (McGee, Lin, Marton, Wang, & Wu, 2007), massive investment in infrastructure and mega-projects (Ma & Wu, 2005), and spatial expansion of most Chinese cities (Lin, 2007). Moreover, growth rates accelerated markedly in the late 1990s, as shown in Fig. 1 for both fixed asset investment and spatial expansion.

A number of authors have attempted to understand these growth dynamics through the lens of urban entrepreneurialism, which has been described by Hubbard and Hall (1996) as the adoption of a more outward-oriented stance designed to foster local economic growth in the context of global capital mobility and free market ideology. Though urban entrepreneurialism originated in the deindustrialization crisis and fiscal austerity of capitalist countries, it has been suggested that global forces and domestic transformations are driving similar structural responses in China as well (Wei, 2007). Explorations of urban entrepreneurialism to date, however, have focused either on the broad structural changes in the

global economy (Brenner, 1999), domestic devolution to localities (He & Wu, 2009), or specific tactics such as public-private partnership in city-making (Wang, Zhang, Zhang, & Zhao, 2011). What remains less clear is how specific institutional reforms and the changing relationship between local states and emerging markets have accelerated this growth. This paper works to fill the gap in the current literature on Chinese urban dynamics research by situating China's pattern of urban growth in the context of its crisis-induced piecemeal reforms and the resultant new state–market relationship.

The rest of the paper proceeds as follows. A literature review and description of the methodology frame the case study. A brief review of China's fiscal scheme and the resultant direct state involvement in market activities before the mid-1990s is followed by an empirical identification of local economic growth patterns since 2000 and a causal connection to the fiscal reform that was intended to re-balance the central-local strength but actually pressed local states to lure manufacturing and real estate capital. The paper then explores how the reshaped role of the local state forged new growth mechanisms. Special attention is paid to local state interventions to leverage private investment in residential and commercial development, manufacturing production, and infrastructure financing. The analysis addresses the fact that China's local states maintain their strategic control over the market by maneuvering crisis-induced reforms toward marketization to trigger growth. This is followed by a discussion of the intensifying

* Corresponding author. Tel.: +82 2 3290 2427.

E-mail addresses: leiwang@whu.edu.cn (L. Wang), cuzpotter@korea.ac.kr (C. Potter), lizhig@mail.sysu.edu.cn (Z. Li).

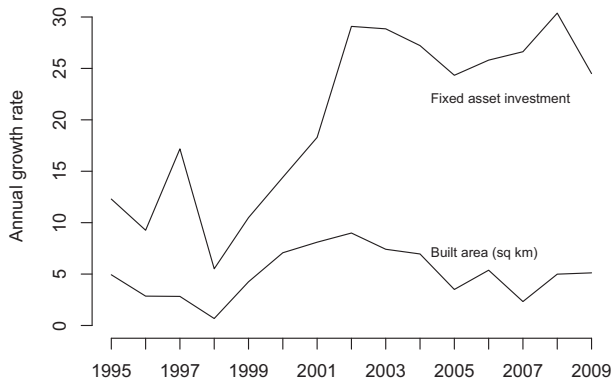


Fig. 1. Chinese urban fixed asset investment and built area growth rates since 1995. Source: National Bureau of Statistics (2002–2010).

impacts of China's urban growth on interregional and urban-rural tensions. The paper concludes by addressing the limitations of China's past piecemeal path of reform and calling for its replacement by a more holistic framework.

Theory

Existing studies of the emerging entrepreneurial city in China can be grouped into two categories. The first addresses the shifting domestic regime of accumulation and parallels changing politics of scale in the West. It is argued that the ineffective organization of socialist production and consumption triggered a crisis in China's accumulation regime. This crisis prompted the transition from state-led industrialization to urbanization and shifted policy orientation toward marketization and decentralization, resulting in the consolidation of the local state as an "entrepreneurial" entity proactively engaged in place-making (Hausner, Jessop, & Nielsen, 1995; Ma, 2002; Wei, 2012; Wu, 2003; Wu & Zhang, 2007). Despite the insightful discussions that trace the emergence of China's urban entrepreneurialism to crisis management, these writings do not temporally differentiate the growth dynamics of Chinese cities since 1978 and fail to give an account of how the shift of accumulation regime is supported by the changing mode of regulation.

The second body of literature, perhaps a more voluminous one, explores the particular local organization, strategies, and implementation of urban entrepreneurial efforts. 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 "land commodification" (Lin & Yi, 2011; Xu, Yeh, & Wu, 2009), which was not seen before the mid-1990s (Yeh & Wu, 1996). Studies have also identified the unfolding of urban entrepreneurialism in urban infrastructure financing (Wu, 2010) and inter-city cooperation (Chan & Xian, 2012), as well as the building of polycentric city-regions (Wu & Phelps, 2011). These writers, however, have not generalized the pattern of urban growth and thus overlook the ways in which China's urban dynamics are causally related to the concrete institutional reforms since the mid-1990s.

As this brief review indicates, studies of entrepreneurial urbanism in China have focused either on macro-level state devolution or on micro-level place-making strategies, neither of which is unseen in other developing (Goldman, 2011; Young & Kaczmarek, 1999) and developed countries (Eisinger, 1988; Jonas & Ward, 2002; Leitner & Sheppard, 1998). Meanwhile, relatively little has

been written on the meso-level about: (1) how the shifting regime of accumulation in general and pattern of urban growth in particular has been supported by specific institutional reforms that shape the supportive mode of regulation; or (2) what the nature and implications of these reforms have been for such a transitional country as China. These institutional transformations must be taken into consideration as their manifestation in contemporary Chinese urbanism introduces unique constraints and opportunities for future urban development. Unlike shock therapy, which dismantled all pre-existing economic institutions in Eastern European countries, China's reform has been partial in the sense it has focused on imminent crises associated with its socialist institutional legacies while preserving state capacity for market intervention. Though partial reform has helped China achieve growth and maintain continuity in governance, the misdirected relationship between state and market has also brought distortions and generated sustainability challenges. Thus, urban growth dynamics must be understood in the context of China's piecemeal reforms, which generate new crises through the resolution of old ones.

This paper begins to fill the meso-level research vacuum on institutional regulation by contextualizing Chinese urban growth in the crisis-induced reforms that reshape the state–market relationship and forge state-led urban growth. Fiscal and urban land use reforms are two examples that will be elaborated throughout the paper. It argues that reforms designed to solve more immediate crises of transition have worked indirectly to shift the local state from a protectionist market actor operating businesses before the mid-1990s into a proactive promoter of investment in physical construction and goods production with commanding power over the land market. It also argues that the piecemeal nature of the crisis-induced reforms generates new sets of challenges for China's future growth.

Methodology

This study is part of a larger research project conducted between 2009 and 2012 on rising entrepreneurialism urbanism in China. It draws on findings gained from interviews with government officials in charge of investment promotion, land use planning, and development zones as well as academics with expertise on local economic development at five coastal and four hinterland municipalities. Table 1 presents the complete list of interviews that are pertinent to this study. Although these interviews rarely produced systematic data that can be put into a complete analysis, they conveyed a critical sense of the growth dynamics shared by many cities of different ranks and guided us in generalizing the patterns, tactics, and implications of the growth logic across cities through the use of data compiled from official publications and historical evidence of archival materials. The unreliability of China's official statistics is well known (Chan & Hu, 2003; Fu, 2000). To minimize related risks, this paper follows Lin (2007) in employing data in a ratio-based manner, which should account for reporting bias and allow comparative analysis, and by cross-checking results with interview findings to ensure consistency and comparability. Furthermore, not all official statistics are equally subject to manipulation. Fiscal revenue and expenditure 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 restructuring, state–market relationship, and engines of urban growth

Many studies have pointed out that China's fiscal transformation in the mid-1990s is critical to understanding its unprecedented local economic growth (Jin & Zou, 2005; Wang, 2011; Wu, 2010),

Download English Version:

<https://daneshyari.com/en/article/1047842>

Download Persian Version:

<https://daneshyari.com/article/1047842>

[Daneshyari.com](https://daneshyari.com)