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Geoforum

journal homepage: www.elsevier.com/locate/geoforum

Political dynamics in land commodification: Commodifying rural land development rights in Chengdu, China

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ARTICLE INFO

Article history:

Received 21 June 2015

Received in revised form 14 September 2015

Accepted 1 October 2015

Available online xxxx

Keywords:

Land commodification

Transfer of development rights (TDR)

Land-use regulation

Dispossession

Rural reconstruction

Capitalism

ABSTRACT

Commodification of land is at the forefront of the re-casting of rural China by the spread of capitalism. This study examines a market-based program of land development rights trading in Chengdu, China. The program was made possible by a change in the central government's land-use regulation that shifted the policy goal from 'no net loss' of farmland to 'no net gain' of construction land. We detail how local governments at multiple levels work together to construct land development rights as a commodity and build market institutions to foster its trading, illustrating land commodification as an inherently political process. A unique combination of innovative local policies and central political concessions created an outcome of 'commodification without dispossession' in Chengdu. Land commodification was used to finance rural reconstruction and brought profound changes to rural space, including re-configuring land-use patterns, transforming physical conditions in residential communities, and changing the representation of space.

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1. Introduction

If we see space as a material product of a given social formation (Gottdiener, 1985), then the rise of capitalism in China, as it introduces a new social formation, ushers in a spatial transformation. From this view, the spread of capitalist modes and relations of production in rural China emerges as a central force in the 're-casting' of rural China. While the transition to capitalism in the rural setting can proceed via a variety of paths and entail a wide range of socio-spatial changes, the commodification of land, which provides the foundation of this new social formation, is at the forefront of this transformation.

In rural China, as in many other rural settings, access to land and land-related resources was traditionally based on membership rights and protected by social closure from encroachment or dispossession by external actors; land use was also heavily constrained by government regulations. The land commodification process turns land and land-related rights into a commodity that is disembedded from local particularistic social relations, freely tradable on market and can be used for capital accumulation. Once land becomes a commodity and integrated into circuits of capital, it then enables a series of spatial changes in settlement patterns,

the organization and use of land in agricultural and industrial production, locational relations of various types of land use, and the representation of space.

The 're-casting' of rural China by spread of capitalism, therefore, starts with and proceeds through the commodification of land. Bringing into the Chinese context Polanyi's (1944) insights on land as a fictitious commodity and land commodification as an inherently political process with disruptive social impacts, we analyze in this study the intricate political dynamics of creating commodified land rights in a context of communal ownership and strict government land-use regulation.

Since the 1990s, land commodification has proceeded rapidly in China. The dynamics and impacts of this process in urban China have been well documented (Hsing, 2010; Xu et al., 2009). In the rural setting, studies have examined the initial emergence of spontaneous leasehold transfer of farmland among rural residents (Kung, 2002; Zhang et al., 2004), the more recent, state-supported transfer of land use-rights to agribusinesses and other capitalized producers (Ye, 2015; Zhang and Donaldson, 2008, 2010), illicit transfer of rural construction land into urban uses in the black market (Lin and Ho, 2005), and local experiments with the transfer of development rights of rural land (Wang et al., 2010; Zhang et al., 2014).

Most of these rural studies, however, do not conceptualize these developments in terms of commodification of land or connect it

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with the rise of the capitalist social formation.¹ Furthermore, none has attempted an in-depth analysis of the socio-political dynamics and spatial impacts of land commodification. Some studies (see Wang et al., 2010) implicitly assume that land would spontaneously and effortlessly become a commodity by simply removing administrative constraints. This view, which naturalizes the commodification process, neglects the complex politics that is always involved in turning socially embedded rights, customs and entitlements related with land into a fictitious commodity and the social tension and displacements that typically come with land commodification.

When researchers do problematize the political nature of land commodification, the focus is typically on state actions of expropriating rural land (and creating commodified land rights from that), seeing that as the most prevalent way of commodifying rural land (Hsing, 2010; Webber, 2008; Xu et al., 2009). This study examines a more recently emerged but increasingly prevalent way of commodifying rural land, which can be broadly called TDR (transfer of development rights) programs. Unlike in land expropriations, where the state single-handedly moves land from one domain (communal property protected by social closure) to another (markets for commodity exchange), TDR programs involve, first, the creation of land-related rights associated with different types of land as commodities, and then, the trading of them between multiple actors across space. The political and social dynamics at play here can be far more complex.

We share the perspective that Xu et al. (2009, 909) articulate so well in seeing 'market as an emerging institution in the context of a transitional economy'; its evolution, therefore, 'cannot be self-perfected, but rather needs external fostering and regulation (in particular by the state).' This directs our analytical focus to the extensive roles of the state in creating the new commodity of land development right (LDR) and building market institutions to foster and regulate its trading. The goals of this paper are therefore twofold: through studying an innovative program of rural land development in Chengdu, the capital city of Sichuan Province, we attempt to, first, provide a detailed analysis of the intricate dynamics in commodifying rural land, and second, evaluate how state policies and local political-economic context shape the outcomes of land commodification, resulting in what we call 'commodification without dispossession'.

2. Policy background and case selection

China's complex and evolving rural land system is a topic that has been thoroughly discussed in the literature (Lin and Ho, 2005; Xu et al., 2009; Wang et al., 2010). Without reiterating policy details or tracing their evolution, we highlight two central features in China's land regulatory system that are most relevant to our discussion: farmland preservation and centralized land-use regulation. These two principles are implemented through several specific land policies that led to the rise of LDR commodification.

2.1. Farmland preservation through centralized land-use planning

The Chinese central government's heightened awareness of the need for farmland preservation was a relatively recent phenomenon.

The current practices of farmland preservation, among the strictest in the world, only began with the Land Management Law issued in 1998. In much of the 1980s and 1990s, the central government exercised little control over land use at local levels. Local governments, even village authorities, had a great degree of autonomy in converting agricultural land to non-agricultural uses (Ho and Lin, 2003).

In the late 1990s, the central government became alerted to the steadily declining stock of arable land caused by rapid urbanization over the past two decades and perceived the farmland loss as an unacceptable threat to its food self-sufficiency policy (Lin and Ho, 2003). Besides passing the Land Management Law, the central government also started to devise a national Land Use Master Plan to put nationwide land use practices under tight central control (Wang et al., 2010). This Master Plan sets out a series of targets for various types of land use for the next 15 years, including, for example, the amount of farmland to be preserved and the amount of agricultural land that can be converted to urban use.² For each year, an Annual Land Use Plan then breaks down these long-term objectives into annual quotas for different types of land use and allocates these land-use targets to each province. Starting from provinces and down to townships, lower-level governments must then formulate and adhere to their respective land-use plans and annual land use quotas.

Under the current land system, rural land is divided into several land-use categories (see Fig. 1), including farmland (F), which is the main target of protection of the Land Management Law; family housing construction land (*zhajidi*, H), which is collectively owned and allocated to members of rural collectives free of charge as a membership entitlement for constructing their own housing; and construction land (C), which is typically controlled by the village authority and can be used for local public facilities, non-farm enterprises and other non-agricultural uses.

The first and foremost goal for these regulatory measures is farmland preservation. The most memorable item from the national Master Plan is the 120 million-hectares (or, 1.8 billion *mu*) 'red line' for farmland preservation. This is specified as the minimum amount of farmland that China needs to ensure food self-sufficiency and constitutes a bottom line that cannot be crossed.³ By 2007, however, the country's total amount of farmland has already declined to 121.7 million ha, leaving little room for further loss (Long et al., 2012).

The speed of urbanization, however, has not abated, and the demand at local levels for converting rural land, including farmland, into urban uses has only been rising. The two conflicting demands on rural land – one for food production, the other for urban development – made it inevitable that the central government had to settle for a compromise in the form of a 'no net loss' policy regarding farmland preservation, seeking a dynamic balance rather than static preservation. This policy, known as *zhan bu ping heng* (hereafter, ZBPH) – balancing farmland occupation with farmland reclamation, was codified in the 1998 Land Management Law (and its 2004 revised version) as the requirement for land users who occupy farmland for urban uses to reclaim new farmland of the same amount and quality.

Under this regulatory framework, in effect since 1998, all local governments from provinces down to townships face two constraints when they convert agricultural land to construction land.⁴

¹ Zhang and Donaldson (2008, 2010) are the exception in terms of seeing farmland transfer as a key step for the emergence of capitalist producers, but their focus is on class formation rather than land commodification. Webber (2008) is the most explicit in conceptualizing broader changes in rural China as primitive accumulation. But similar to Zhang and Donaldson, Webber focuses on the consequences of class formation arising from primitive accumulation; land commodification is not identified as one of the processes of primitive accumulation, presumably because of its underdevelopment. In fact, one of Webber's critics (Post, 2008) specifically points out the absence of land commodification as his key objection to Webber's use of primitive accumulation to understand social changes in rural China.

² The first national Land Use Master Plan was made in 1997, but soon revised in 2005; the current national Master Plan is in effect from 2006 to 2020.

³ More specifically, the targets are to preserve 121.2 million ha farmland by 2010 and 120.33 million ha by 2020, of which 104 million ha should be prime farmland. *Mu* is the commonly used measure in China; one *mu* equals one fifteenth of a hectare.

⁴ Such conversion can happen in two ways: first, by rural collective units (villages, for example) when they develop collectively owned agricultural land for non-farm enterprises, rural housings or public facilities; second, by the state when it expropriates rural land into state-owned land for urban development. Both must comply with these land-use regulations.

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