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Pseudo use value and output legitimacy of local growth coalitions in China: A case study of the Liede redevelopment project in Guangzhou

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ABSTRACT

Existing research on the growth coalition of China mainly focuses on the process of urban land development and concludes that the strategic alliance of local states and market gradually emerged with the exclusion of communities in the course of development. Empirical evidence on whether or not a coalition can involve the villagers and how a coalition capacity is delivered with legitimacy is lacking. This research revisits the growth machine thesis in the redevelopment of an urban village in Guangzhou where pseudo use value is examined. Pseudo use value reflects a hybrid of the appreciation of land, which incorporates the nostalgia for the rural past and the desire for improvement. Results show that complementary expectations in the redevelopment of urban village formed an ad hoc growth coalition that incorporates the municipal government, private developers, and villagers. The generation of output legitimacy is grounded on frequent exchange of resources (i.e., land, private capital, manpower, and regulatory capacities), which also relies on empowerment and an intermediary made of the rural collective to stimulate coalition capacity. Pseudo use value makes indigenous villagers a part of the growth machine. Although the formation of local growth coalition acknowledges the role of private developers and villagers, a counterpart emerged in which the development became a political rhetoric for achieving recentralized land governance.

1. Introduction

Urbanization in China is characterized by the fast growth of urban dwellers and the continuing expansion of land. Urban construction of land increased by 90.5% from 1990 to 2000, and it continued to increase by 83.4% from 2001 to 2010. The total land of 27,000 km^2 was approved in 2000. A previous study pointed out that the proliferation of land-based interests results from the commodification of the urban development process (Ma & Wu, 2005). With the state unharnessing its monopoly in urban housing, land, and real estate development, constant capital investment in urban resources with good management can achieve high returns. Cities become an engine of the national economy, and the new norms of growth are coupled with a distinct regulatory environment featured by decentralization and privatization (Harvey, 2005; Logan, 2008). A diversified economy that is associated with the rise of public–private partnerships in production and service provision emerges. The partnerships, together with the solid commitment of the local state to economic development, form specific urban politics in Chinese cities (Wu, 2016).

Xu and Yeh (2005) determined that coalition politics is effective in resource allocation and profit gaining. The strategic combination of political actors and economic elites can maximize outputs and economize social costs, such as governance and welfare issues. The new urban politics reflects and explains the come-into-being of an expanding land market (He & Wu, 2005). However, extensive land development has been facing challenges since 2008. The appropriation of agricultural land is strictly prohibited. Land supply in the form of new urban areas was suspended to redevelop old downtown areas and informal settlements (e.g., urban villages). Urban growth coalition under such contexts needs to be empirically examined.

This study revisits the local growth coalition for redeveloping an urban village in China. It examines how various expectations are matched to generate output legitimacy, which explains the generation of shared ownership in the redevelopment process. The links between a specific pseudo use value and growth coalition are explored through a case study. This paper is organized as follows: First, the origin and development of the growth machine thesis are elaborated with a particular reference to produce legitimacy. The second section introduces Chinese growth coalition and revisits the use value and exchange value in the land development process. The pseudo use value in

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China's urban village is discussed. The third section presents a case study on the Liede redevelopment project, which is an urban village in Guangzhou. The discussion section examines how output legitimacy is generated for an ad hoc growth coalition and how pseudo use value is significant. The conclusion follows with a reflection on the political factors that affect growth coalition.

2. Theoretical background: output of legitimacy of growth coalition

2.1. Growth coalition revisited

Since the 1970s, the changing regime of accumulation to post-Fordism enabled a localized regulatory state with various forms of area-based programs that are oriented to economic production and labor reproduction (Brenner, 2004, 2009; Eade & Mele, 2002; Ferguson & Gupta, 2002; Peck, 2004). The city-based accumulation regime emerged that emphasized territorial competiveness, entrepreneurialism, and self-reliance (Breathnach, 2010). Cities were repositioned in the global networks of economy, where the investment on economic development transformed to speculations instead of means to improve the general welfare (Harvey, 1989). Economic activities became more diversified as new propulsive sectors began (e.g., high-technology industries, business, financial and personal service functions, and real estate). These sectors gained mass private capitals (Hall, 1998; Harvey, 1990). Urban assets (e.g., land) became commodities, and the constant capital investment could significantly increase market values. The inception of urban politics introduced the urban regime to achieve progressive capital accumulation.

Urban regime assumes that power is fragmented and embedded in both the state and non-state actors. Different capacities to govern must be integrated (Mossberger & Stoker, 2001) through a strategic alliance between state and non-state actors (Massey, 1993). Accordingly, the power base transforms from direct control to strategies to mobilize and enable. Driven by the urban regime, "growth machine" was developed by Logan and Molotch in the 1980s, and they emphasized that power is fragmented and empowerment derives from an effective mode of coalitional politics. Growth machine depicts the speculative profit seeking in cities by forming a coalition to capitalize on urban land and fixed capitals (Logan & Molotch, 2007).

In a growth coalition, land-bounded interests serve as a common ground between the political elites and economic actors. However, the mechanisms that constitute favorable partnerships are unclear. How can the inputs from various stakeholders produce a coalition with shared interests? For an effective political system, the regime needs a legitimate framework in which resources are exchanged and expectations are integrated to effect capacity. This legitimacy is not simply an add-on to coalition politics. For example, when ground support is missing, coalition can be quite vulnerable to uncoordinated interests and expectations, which often lead to disempowerment and failure in democracy (Healey, 2010).

2.2. The case of output legitimacy

Legitimacy means tacit approval (Häikiö, 2007). In a policy network, legitimacy nurtures consent and generates acceptance and support to a system. Legitimacy cannot be self-claimed (Stoker, 1998). Good order is conducive to consolidating "the sound setup and the proper ground rules of the operating system" (Hendriks, 2014, p. 566). When different parties identify the common objectives, a coalition is likely to generate credible commitments, thus giving integrity to the delivered preferences (Pierre, 2014). Three criteria are commonly used to justify legitimacy, namely, legality (i.e., conformity to established rules), justifiability (i.e., a defensible reason for a regime), and broad commitment (Beetham, 1991; Levelt & Metze, 2014).

Lau (2014) developed an integrated term, i.e., output legitimacy, to cover those outside the formal rules or the domain of democratic political engagement (e.g., conformity and commitment). Output legitimacy is measured on the basis of delivering outcomes, in which agreed objectives are translated to policy implementation (Papadopoulos, 2012). Existing literature points out that the generation of output legitimacy requires the mechanism in which sources from stakeholders are processed and mediated. Leadership, commitment, empowerment, and common objectives are some of the crucial cornerstones used to achieve the integrity of delivered preferences (Ansell & Gash, 2008).

3. Chinese local growth coalition following economic reform and opening-up

The economic reform and opening up since 1978 produced tremendous changes for large Chinese cities. The beginning of the socialist market economy prompted China's privatization and marketization (Saich, 2011), which led to a diversified economy that gradually replaced the state hegemony on economic production and distribution (Wu & Ma, 2005). Housing and real estate markets significantly increased. When the new urban financial system was established after 1998, both developers and individuals were provided with loans and mortgages to participate in the housing market (Wang, 2001). This development trend accelerated when private sectors were given rights to capitalize on property development and land transaction. The annual growth rate of real estate investment among the private sectors increased from 14% in 2002 to 30% by 2008 (Xinhua.net, 2008).

The urban land policy in 1988 identified land as one of the most valuable economic assets. The use of state land was granted on a leasehold basis, and land revenue became a major income for local finance because of two reasons. First, after the 1994 tax reform, centrally collected revenue gradually exceeded the revenue appropriated by localities so that local revenue preservation decreased. Second, although the share of centrally collected revenue in the total budget has increased, the local government is responsible for delivering welfare and public services. The mass local spending on welfare issues and administration served as a large incentive for local government to use land to maximize short-term revenue generation. Land finance is the most direct means to generate income for local governments, and land revenues mainly comprise land conveyance fees, which are levied by local governments, and land-based profits (i.e., tax share from profitable industrial sectors). By 2010, land conveyance fees from all local governments of China accounted for 76.6% of local incomes (Chu, 2013).

The formation of Chinese local growth coalition exhibits a similar trend characterized by decentralization and the expansion of regulatory capacity from the state to social actors, leading to entrenchment of public–private partnerships and the active involvement of local governments (Jessop, 2002; Pierre, 1999). Many studies have examined the rise of the growth machine under land finance. For example, a study on speculative urbanism found that local states of China allow "entrepreneurial predispositions" (Li, Chan, & He, 2014), which triggered massive profit-plunder activities from land in the form of a coalition (Z. Li, Li, & Wang, 2014; Wu & Ma, 2005; J. Zhang & Wu, 2008). J. Zhu (1999) identified three major actors of this local growth coalition, namely, municipal government, developers (most developers are former state-owned enterprises), and the state banks which provide financial support under the credit guarantee of the municipal government. Reciprocal relationships in which municipal governments offer a package of land subsidy to developers were formed. In return, developers would undertake some redistributive responsibilities (e.g., providing employment opportunities and constructing public facilities) as an in-kind payment for land appropriation. These studies concluded that the "localized developmental state" (Oi, 1995) forms strategic coalitions with private capitals under the strong incentives of real estate development, but opportunities for the common people are limited (Friedmann, 2005; Hsing, 2010). Communities are prone to being excluded from growth-oriented coalition politics. Commitment and consensus-building are difficult to achieve as a result of an