



## Sorting through Neoliberal Variations of Ghost Cities in China



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### A B S T R A C T

Since 1978, the Chinese central government has undertaken a series of market-oriented policy reforms which has led to responsibility for urban development shifting from central government to the local level, i.e., the provincial, prefectural city and district governments. As a result, local district governments in China's larger cities have become key players driving economic development through an intensive process of entrepreneurial urbanization (where markets drive urban policy). These urban projects are best characterized as property-led, encouraged by neoliberal policies such as government support for land-based urban growth coalitions and property speculation. Based on local government planning and infrastructure development, this process has led to several newly built districts or towns. However, they have become ghost cities due to their lack of inhabitants and empty apartment units (apartment units are often purchased as part of an investment portfolio rather than as primary residences). This paper will unpack economic mechanisms and government motivations behind three iterations of ghost cities, to explore how local governments interact with central government as well as with property developers to expand urbanization. We examine three cases, the distinct urban contexts of Shanghai Thames town, Ordos, and Kunming (reflecting suburban tourism; debt-financed urbanism; and pro-growth strategic urbanism respectively) – to examine the variations across ghost cities in China (both in terms of neoliberal mechanisms and its outcomes).

### 1. Introduction: neoliberal urban policies

In the past three decades, since China's economic reform in 1978 and the opening up of the country to foreign investment, government policy at every level has been oriented towards rapid economic growth (Wu and Zhang, 2007). With the decentralization of central government, the right of allocation and distribution in a planned economy shifted from central government to the local level. Simultaneously, China moved from a predominantly rural economy to a manufacturing and post-industrial urban society following post-socialist institutional arrangements. Consequently, new towns and districts have mushroomed in China (Jiang et al., 2016), rapidly transforming low-value agricultural land into property communities (i.e., gated communities). In other words, through the 'added value' of car parks, apartments, shopping malls, and industrial zones, local governments gain increased land revenue from the construction of such property communities. As Lin, (2015) points out, the commodification of land has become the main revenue source for Chinese municipalities, accounting of over 30% of their total revenue.

Land and property speculation activities by both private and state

stakeholders in urban growth coalitions have led directly to the phenomenon of ghost cities (*gui cheng*) in China. On one hand, ghost cities represent the epitome of modernization and development, i.e., large-scale investment in metropolitan construction. On the other hand, ghost cities are characterized by a large quantity of unsold housing stock often built in isolated areas; located far from the (old) city centre, resulting in long commutes and few pedestrians; characterless apartment buildings built and sold to investors, with few residents (therefore lacking social or educational opportunities compared to the inner cities); and minimal economic activities beyond speculative investment. In China, ghost cities represent a development goal of wealth creation, where future potential is embedded in the housing supply built in advance of demand with hopes for a high return. A demand for investment properties is not confined territorially to China; many Chinese speculators also purchase abroad without intention of living in those countries (Ley, 2017; Rogers et al., 2015; Rogers and Koh, 2017). In this way, housing becomes a financial asset convertible into "liquid capital" (Gotham, 2009; Wu, 2015), and urban development an instrument of financial growth for local government and private capital responsive to investment demands (Aalbers, 2008; Weber, 2010).

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<http://dx.doi.org/10.1016/j.landusepol.2017.09.001>

Received 1 December 2016; Received in revised form 28 August 2017; Accepted 1 September 2017

Available online 06 October 2017

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While Chinese ghost cities have attracted scholarly attention (see Chi et al., 2015; Sorace and Hurst, 2016; Wu and WaLey, 2017; Woodworth, 2012; Woodworth and Wallace, 2017), there is still relatively little scholarly work in English, given the scale of the ghost city phenomena. However, ghost cities have garnered wide-spread interest through media reports concerned with real estate not simply as a local market, but intricately tied to globalization. Roy and Ong (2011) suggests the apt term “homegrown neoliberalism” to convey global circulations of the market within national contexts. With China entering a stage of accelerated urbanization coupled with an economic downturn, alarm over these un-homed cities frequently appear in international newspapers. Media reports argue that China’s economic development is a façade, due to the spectacle of high-rise monuments to a de-peopled urbanization. In particular, international media are fascinated by the evocative presence of a large number of empty apartment buildings, leaving a darkened city core after dusk, and dead silence due to an absence of people at night (after migrant workers depart).<sup>1</sup> Reporters and commentators have viewed these visual and aural cues in the urban landscape as signs of a property slowdown, if not imminent economic collapse in China, with potential ripple effects globally (Shepard, 2015).

Manifestations of the global market are apparent in many cities around the world, however in China it is particularly noteworthy due to the strong role of local government in developing financial markets, including real estate. Following economic reform in 1978, new land administration laws were established, and land use became separated from land rights in 1988. The contemporary Chinese entrepreneurial city is captured by Harvey’s (2007) concept of “neoliberalism with Chinese characteristics,” namely, entrepreneurial local governments and a lack of private property rights coupled with large-scale private development. While the main emphasis of urban policy planning in China is to attract capital into new cities, any neoliberal framework must consider the nuanced and intertwined mechanisms of both state and market, within a Chinese context (Lin and Zhang, 2015). Lin and Zhang (2015) make the argument that any study of neoliberal urbanism in China must take into account central state and municipal fiscal relations, as well as the interests of land developers and private finance in the twinned pursuit of competitive economic growth and urbanisation. Construction of new towns and districts has become a crucial step for governments at various levels to promote urbanization, resulting in a “new towns and district fever.” These newly built districts and towns are becoming, or are on the way to becoming, ghost cities without sufficient inflows of population. Hence, a timely and comprehensive analysis of ghost cities is an important step towards recognising the reasons and mechanisms behind the formation of ghost cities and to gain a better understanding of the future sustainability of urbanism in China.

Scholars have observed that relatively few studies examine the variants of neoliberal policies within China’s urban development and expansion, particularly across regions and different degrees of economic growth (Hsueh, 2016; Lin and Zhang, 2015). This study intends to document varied examples towards suggested categories of ghost cities formed in cities at different urban levels. By unpacking the question, “why are there growing investment properties in China rather than places of residence?” this research will advance understanding of the problems embedded in town and district creation in China, and will provide insights into the problems of ghost cities for policy-makers and scholars as well as help the former realize the sustainability of people-centred urbanization proposed by China’s central government. Hence, we are interested in state-led institutional arrangements with private sector involvement that lead to different types of ghost cities and the

consequences for local government, residents, and society.

Chi et al. (2015) presented the distribution of vacant housing sites using data from *Baidu* (a Google style search engine in China) and classified areas into ghost cities or tourism sites. Similarly, we have selected ghost cities based on type of development. We suggest the potential to characterize these developments into three categories: suburban tourism; debt-financed urbanism; and pro-growth strategic urbanism. We use suburban tourism to refer to the development of Shanghai Thames Town, a suburban area intended as an ‘escape valve’ for an over-crowded city; in order to attract a population (initially residential, now touristic), the architecture reflects a cosmopolitan worldliness, unfixed from Shanghai. Debt-financed urbanism best shapes the place-making activities of Ordos, which financed large-scale landmark projects to appeal to investors. Pro-growth strategic urbanism defines the economic growth imperative for entrepreneurial local government, such as Kunming. While there is overlap between these categories, our typology is meant to highlight the dominant characteristics of each category based primarily on the selling points of each city that has in turn shaped the type of investors, as well as the functionality and design of the cities. Because Shanghai Thames Town and Ordos depart from typical ghost cities (i.e., they do not represent pro-growth strategic urbanism), we argue that suburban tourism (e.g., Shanghai Thames Town) and/or debt financed urbanism (e.g., Ordos) offer important lessons for ghost cities in the making.

The organization of the paper is as follows. The article began with a section that explains the current state of knowledge regarding neoliberal urban development in China, leading to the phenomenon of ghost cities. Section 2 analyses the mechanisms of state-driven entrepreneurial urban development. A discussion of the reasons for various types of ghost cities as illustrated by three case study areas can be found in section 3. Section 4 is devoted to a summary of key discussion points and concluding remarks.

## 2. Mechanisms of ghost city formation from a local government perspective

A feeling of “lateness” to development (i.e., a desire to “catch up” through global urban competitiveness), as well as a “a pro-growth coalition between local governments and real estate developers” have determined China’s post-Mao urban visions of prosperity and progress (Zhang et al., 2006: 462). China has witnessed unprecedented urbanization in the past three decades, where the total urban built-up area has increased from 7438 km<sup>2</sup> in 1980, to 45566 km<sup>2</sup> in 2012 (Chen et al., 2016). The contribution to GDP by real estate development (both direct and indirect contributions), has increased from 15% in 1998–27% in 2007, reaching an average of 21.7%, the direct contribution has reached 7.8% based on a report of the National Bureau of Statistics in 2017. This increase over 10 years indicates the extent to which the real estate industry has become integral to national economic growth, and suggests that as the real estate market rises, other industries will also prosper. However, it is important to remember that China’s real estate is not simply a reflection of economic growth, but also a product of political arrangements.

Based on China’s constitution, land is separated into two categories, urban land and collective (i.e., rural) land. The state owns all urban land. Urban land can be leased but not owned by individuals. While urban land can be leased out directly by local government through primary land markets, collective land can only be leased after land expropriation and conversion from rural to urban. Thus, the government separates land use from land ownership; land use can be leased for up to 70 years. Land use rights may be leased by individuals or private companies; the latter have directly impacted land markets, leading to greater land value and financial accumulation for stakeholders. Additionally, the tax sharing policy between levels of government was reformed in 1993. Subsequently, the central government is entitled to 75% of the tax share, while local governments receive only 25% of tax

<sup>1</sup> See: Liam Dann. “China Business: China’s haunting ghost cities.” *New Zealand Herald*. April 30, 2015; Sarah Jacobs. “12 eerie photos of enormous Chinese cities completely empty of people.” *Business Insider*. April 8, 2017. Philip Wen. “Are China’s ‘ghost’ cities building towards ruin?” *The Age*. March 22, 2014.

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