



Land remise income and remise price during China's transitional period from the perspective of fiscal decentralization and economic assessment



Zhang Hong, Zhang Yi*, Chen Tiantian

Center for Urbanization and Industrial Development, Research Group of Real Estate Finance, Hang Lung Center for Real Estate, School of Civil Engineering and Hydraulic, Tsinghua University, No 1, Tsinghua Park, Beijing 100084, PR China

ARTICLE INFO

Article history:

Received 9 March 2015

Received in revised form 21 August 2015

Accepted 6 October 2015

Available online 26 October 2015

Keywords:

Land remise income
Fiscal decentralization
Economic assessment
Panel data

ABSTRACT

In view of the current outstanding problem of “land finance”, this paper constructs a panel data model based on the provincial panel data from 1998 to 2012, followed by an empirical analysis of whether land remise income and the remise price during China's transitional period are combinedly affected by fiscal decentralization and economic target assessment. The results show that land remises will influence local economic growth through fiscal relations and, in turn, the local governments' fiscal behaviors and economic indicators will affect the land remise scale and price. This paper concludes that, under fiscal decentralization, local governments obtain the balance of payments through the sale of more land, resulting in a rapid increase in land remise scale and price; under the economic target assessment, the local government will use the agreement to sell industrial land at a low price and use the “bid invitation, auction and listing” method to sell commercial land at a high price. In addition, the scale, proportion and prices of the “bid invitation, auction and listing” remise mode are far higher than those of the agreement mode. This phenomenon appears more obviously in regions with a strong degree of financial dependence and a high economic development level.

© 2015 Elsevier Ltd. All rights reserved.

1. Introduction

Since the tax system reform in 1994, the situation of “property up, power down” has gradually appeared in China. In addition, the dual structure of land property rights as a plus factor has led to China's land-based economic development model, making land finance an important pillar of local government revenue. On the one hand, land finance promotes China's economic growth, closes the local financing gap, and accelerates China's urbanization process. On the other hand, land finance also results in a series of problems, such as local government officials' corruption, unequal use of land resources, a real estate bubble and local governments' debt crisis. Therefore, more scholars suggest that local governments should abandon their “land finance” development pattern and replace unsustainable land remise revenue by developing long-term effective tax modes.

Land is commonly recognized as a scarce resource, and local governments know that “land finance” is unsustainable. However,

“land finance” has become more popular in recent years, particularly in certain eastern cities in China. The percentage of land remise revenue in total fiscal revenue is above 70%. We observe that the dependence on land finance is very high. Therefore, if land finance is abandoned, local governments will likely encounter a debt crisis. Actually, governments have dual goals by remising land: one is to gain vast fiscal revenue by remise modes such as “bid invitation, auction and listing”, and the other is to attract investments through administrative allocation and remise agreement to promote local economic development. The dual goals not only help local governments to solve financial deficits as a result of fiscal decentralization but also fulfill the economic target assessment. This political behavior, which is considered as having multiple benefits, ultimately leads to an increase of both the land remise scale and the price.

The existing research of land remise focuses mainly on the following three aspects: the first is the relation of land remise and economic growth (Xin, 2014; Shutian et al., 2013); the second is the relation of land remise and real estate price (Weida and Tao, 2012; Shuhua, 2012); the third is the relation of land remise and fiscal decentralization (Yifang and Jiajie, 2013; Huiguang et al., 2013), which is also emphasized more in this paper. Until recently, there

* Corresponding author.

E-mail address: zhangyiyh@tsinghua.edu.cn (Z. Yi).

has been research on the relation of the fiscal system and land remise, which focuses mainly on the scale and price of land remise. On land size, Lina and Xiaoping (2010) analyzed land remise behavior from the perspective of institutional reform. The results show that national policy has a great effect on local land remise revenue, and the “land finance” phenomenon is more obvious in grassroots governments. Lizhen (2011) analyzed the influence factors of land remise income and discovered that fiscal decentralization, the economic development level and the marketization level influence the land remise scale of a region. Xin and Jinliang (2013) discovered that the fiscal system and the current land system promote the expansion of land-transferring fees; however, political system factors have less effect on land-transferring fees. With regard to the price, Kowalski and Paraskevopoulos (1990, 1991) examined the effect of the variable associated with space and time on the price of the industrial land using Detroit (USA) as a sample. Thompson and Tsolacos (2001) found, through research, that land values have an important impact on the price of industrial land. Hongbin and Qiubing (2011) developed a characteristic price model to investigate the effect that certain factors such as geographic position, neighborhood characteristics and traffic hospitals have on the remise land price. In addition, Bai (2011) discovered that local governments tend to narrow the price gap between industrial land and other land because of the financial constraints; however, local governments’ competitive behaviors encourage them to be likely to expand the gap between industrial and other land types. Furthermore, the current local officials’ assessment focusing solely on GDP makes public officials focus more on fiscal income and economic construction during their tenure instead of on long-term sustainable economic development. Xuewen and Xinhai (2012) demonstrated that China’s agreement remise ring land price is rising and is increasingly deflected with the “Bid Invitation, Auction and Listing” price. Therein, the latter is affected by the former. Yibiao (2014) preliminarily analyzed the price ratio problem of industrial land and residential land from three aspects: the connotation, necessity and the idea of specific estimates of the reasonable price ratio. Qingfeng and Jiating (2014) conducted an empirical study on the reasonable price ratio of industrial land and residential land through the use of the industrial production function theory and the data in China’s 35 large and medium cities from 2003 to 2012.

Based on the abovementioned documents, although certain scholars performed research on the influence factors of land remise size and remise price, certain deficiencies remained. (1) Many documents considered one institutional factor, that is, fiscal decentralization. Although the documents also considered political institution factors, the index they selected was not accurate. For example, Lizhen (2011) and Huiguang et al. (2013) used fiscal income or fiscal expenditure to measure fiscal decentralization

instead of combining fiscal income and fiscal expenditure. Yifang and Jiajie (2013) used the proportion of the non-indemnificatory housing sale area in the total housing sale area to reflect economic growth when selecting an economic objective index. Huiguang et al. (2013) chose FDI per capita as the local government competition variable. However, the above studies all use inappropriate measures. (2) Certain documents note that, in the fierce fight for investment among local governments, there will be many instances of “zero price” and “negative price” in terms of the industrial land price. However, according to the preliminary data analysis this paper performed, we find that the agreement transferring land price is also increasing, and the expanding price gap between the industrial land remise price and the commercial, residential land remise price is merely the result of the double restraints of finance and politics. Therefore, we select the relative price instead of the absolute price when analyzing the remise land price in this paper. (3) When previous scholars researched different regions, they usually separated China into eastern, middle and western regions on the basis of geographic position. However, regions with different financial dependence degrees often have different land remise scales. That is, regions with a higher financial dependence degree usually have higher land prices and larger land remise scales because they need more financial support. In addition, as one main capital source for governments to increase investments and promote economic growth, land finance will result in higher land prices and larger land remise scales in regions with a higher development level. This paper will discuss different regions with different land financial dependence degrees and different economic development levels. Compared with prior research, this paper mainly addresses these three deficiencies and conducts further research on the size and price of land remise in China.

2. The status analysis of China’s land remise income

This paper focuses more on the evolvement rule of China’s land remise since 1998 under the background of “land finance”. Therefore, first, we need to preliminarily recognize the status quo of “land finance” in China based on descriptive statistics and then obtain a clear understanding of China’s land remise scale and price and determine the differences of land remise scales and prices in regions with different land financial dependence degrees and different economic development levels. We usually use the proportion of land remise income in the local public finance income to represent the level and degree of “land finance”, and use land remise income (price) and the ratio of land remise income to land remise area to represent the land remise scale and price. Although land remise income and land remise area are recorded over the years, *The Regulations of Tender Auction Listing Transferring State-Owned Land Use Rights*, passed by the Ministry of Land and Resources and

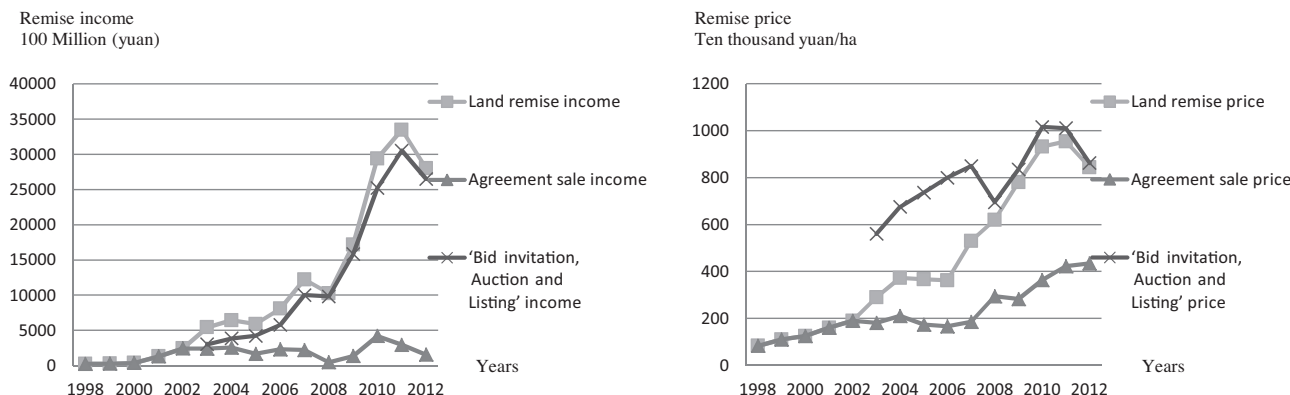


Fig. 1. The trend of national land remise income (left) and price (right).

Download English Version:

<https://daneshyari.com/en/article/6547629>

Download Persian Version:

<https://daneshyari.com/article/6547629>

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