



Interpreting Institutional Fit: Urbanization, Development, and China’s “Land-Lost”

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Summary. — Urbanization-led development brings not just demographic, technological, and economic change, but profound institutional transition, as well. The scale and pace of China’s urbanization project have generated a crisis for millions living in rural–urban peripheries. We will utilize a model of institutional fit to conduct a critical analysis of China’s urbanization program and its implementation problems. Utilizing a semi-structured interview format, we analyze the experiences of the so-called “land-lost” residents in Changsha, China, *vis-à-vis* this ongoing institutional transition. The analysis provides a rich account of the myriad ways the transition to a privatized property market runs counter to the collective nature of peri-urban Chinese communities.
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1. INTRODUCTION

The story of development is very much a story of urbanization. As a country modernizes, its cities expand, and greater numbers of people move from countryside to the city. This process is accompanied by a host of socio-economic changes: rise in education levels, reduction in fertility rates, transformation of the economic base, and further integration of technology into the daily lives of its citizens. There is, by now, a long line of studies strongly linking urbanization and development (e.g., see Preston, 1979; Bairoch, 1988; Henderson, 2002; London, 1986). This is especially salient in the developing world, where economic growth and modernization go hand-in-hand with rapid urbanization (Alonso, 1980; Becker & Morrison, 1988; Kasarda & Crenshaw, 1991; Rondinelli, 1980).

The literature on development and urban growth pays too little attention to the profound *institutional* changes that necessarily accompany urbanization. Many of the material changes concomitant to urbanization—public works, communication, etc., are seen to follow the growth of the urban in almost automatic fashion. But often unrecognized is the fact that institutional change must be part of the state project, as well. The transition from rural to urban necessarily brings about a parallel transformation of institutions, particularly those concerning property rights, collectivization, and public administration. But successful transition to the institutional milieu of the city is not guaranteed. As we will argue, it is crucial that the institutions being introduced to the hitherto rural/peri-urban area cohere with long-standing, local patterns of socio-economic activity and governance.

The development literature needs to more fully account for the success or failure of urban-related institutional transitions. By “institutions,” we most of all mean property rights, real estate markets, administrative structures, social services, etc. Our main point is that scholars need to better assess the degree of institutional “fit” of the urban transition. Recent work on

modeling institutional fit (see Lejano, 2006; Lejano & Shankar, 2012) has proven useful for systematically examining the attendant problems, and their cause, emerging from the urbanization process.

We will employ this model in examining the case at hand, perhaps the most compelling story of development occurring today—China’s rapid urbanization, propelled by the dictates of the global economy as well as the state’s own modernization agenda. We should note, too, that urbanization is not just a project of the central state but especially that of local government—what Hsing calls the “urbanization of the local state” (2010). That is, urbanization results not just from the national leadership’s imperative of maintaining annual growth rates but, also, local leaders’ derivation from it of power, economic rent, and cultural capital.

In a span of 30 years, China’s urban population grew from less than 20% of the total population of 981 million in 1980 to 51.27% of 1.347 billion by the end of 2011 (NBSC, 2012), a rate and scale of urban growth that dwarfs the earlier urbanization of countries like the United States, United Kingdom, and Japan. By our calculations, this is an average urban population growth rate of more than 4% per year on a long-term basis—as a point of comparison, urban populations in the United States grew by 1.4% a year over this same period of time.¹ The scale of the Chinese phenomenon is unprecedented, the urban population increasing during this time by about half a billion people.²

China’s cities are not just densifying; they are also expanding in terms of filling out the urban fringe as well as encroaching into the rural periphery (Hsing, 2010). Cities are taking over an ever-increasing expanse of hitherto rural area. The

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Figure 1. Map outlines of China, Hunan Province, and Changsha City.

number of farmers displaced from collective land came to over 75 million persons from 1987 to 2009 (NBSC, 2012). This outward expansion transforms entire regions not just in terms of land use, population, or built form, but also with respect to the institutional milieu.

We will illustrate our institutional approach with the case of the City of Changsha, a “medium”-sized Chinese city of more than seven million people³ and the central city of Hunan province (Figure 1). Changsha is the site of a grand experiment by the state to expand the urban boundaries through a massive program of land expropriation. As we hope to demonstrate, the institutional transition in Changsha was problematic from the beginning, most of all for its former rural residents, now known as the “land-lost” (shidi nongmin, 失地農民). The latter term refers to the peasant households whose agricultural land was originally owned collectively under the household responsibility system but now expropriated by the state—a type of urban “accumulation by dispossession” (Harvey, 2004; also see Sparke, 2008). It is estimated that by 2030, the number of land-lost will exceed 110 million (Lu & Ye, 2005). These people have been transformed from peasant farmers—a demographic traditionally cast as the mainstay of Chinese society—into urban dwellers with a radically different lifestyle. It is hoped that our analysis will demonstrate the conceptual merits of an institutionalist approach. More pragmatically, we also hope to shed light on how China, in pursuing urbanization for urbanization’s sake, has become a victim of its own success.

In summary, the premises and guiding intuitions behind this research are simple. We ask the question: what are the institutional obstacles to urbanization-led development, and what are the sources of these difficulties? To answer the question, we use a model of institutional fit, wherein institutional problems are traced to a lack of compatibility between new institutional designs being imposed upon a place and existing programs, local institutions, and everyday practices found in that place. The model translates into a diagnostic procedure that involves counterposing features or elements of the new institutions with features or elements of local context where there may be significant problems of fit. First, we examine the model below.

2. MODEL OF INSTITUTIONAL FIT

We clarify our interpretation of the concept of an institution as, in Turner’s words, “a complex of positions, roles, norms and values lodged in particular types of social structures and organizing relatively stable patterns of human activity...”

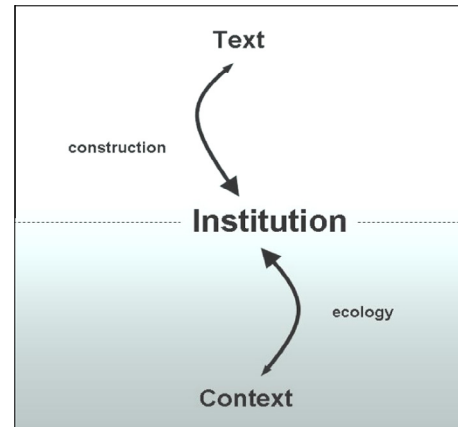


Figure 2. Depiction of institutional fit (adapted from Lejano & Shankar, 2012).

(1997). Such a definition is broad enough to encompass both North and others’ notion of an institution as a system of formal and informal rules (North, 1990) and a related, but distinct notion of an institution as an endogenous pattern of behavior or conventions akin to a dynamic equilibrium (Aoki, 2001). As we will discuss below, our model of institutional fit can be seen as a merger of the two previous institutional definitions. That is, we understand institutions as both social conventions (i.e., rules and roles) established as well as regularities of action in the public sphere.

The model of institutional fit that we will employ derives from Lejano and Shankar and is depicted in Figure 2 (Lejano & Shankar, 2012; also Lejano, 2006). In this model, an institution is a phenomenon that emerges from the conjoint action (or merger) of constitutive texts/designs and modification-inducing contexts. As an example, consider a microfinance program that begins with the codification of a new set of administrative procedures for implementing it. The everyday workings of the program may differ from place to place, or be further refined over time, as local actors and conditions (i.e., context) further define the program and adapt it to local conditions. For example, Lejano and Shankar found a rich diversity of microfinance programs found in different districts in Southern India, though all belonged to the same general program (2012). The program, then, is a product of both the originary text and the modifying action of context. In a sense, this model integrates both “top-down” and “bottom-up” models of policy implementation (Saetren, 2014).

Interestingly, the model of institutional fit that we use herein can be seen to employ both the idea of institutions as a system of rules and that of institutions as endogenous outcomes of an institution-defining game. Our notion of text or design corresponds, to some extent, to the idea of institutions as rules or conventions being set by institution-making bodies. And our notion of a modifying context is close to the second notion of institutions as being an endogenous outcome of the actions of institutional actors. In reality, both definitions are useful in describing real-world institutions. The added insight of the model of fit is that, often, institutions are constructed in both ways by different sets of actors, with one set of (often centrally placed) actors establishing more or less formal rules or conventions, and another set of (often local) actors working out a new program that suits their local or specific needs. It is the juxtaposition of, on the one hand, the authorship of institutions and, on the other, the adaptive working and reworking

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