Land Quota Markets

De-spatialization and Re-spatialization of Land Transfers

11. S945  Urbanizing China

Yuan Xiao 肖媛 | MIT | September 18, 2013
What We Know about Land and Urbanization in China

- Rapid urban expansion
- Economic growth target + unfunded mandates of Local Governments
- Land appreciation
- Fiscal incentives to convert land
- “Land Grab”

Imposing “Land Conversion Quota”

Local Governments

Central Government

Social Conflicts
Farmland Loss
Urban Expansion with Quota Constraint

- Rural Settlements
- Urban Area
What We Know about Land and Urbanization in China

- Rapid urban expansion
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Central Government

Local Governments

Imposing “Land Conversion Quota”

Social Conflicts
Farmland Loss
New Phenomenon: Land Quota Market

1. Densification of Rural Settlements
2. Reclaiming Old Housing Sites for Farming
3. Use Quota for Urban Expansion

**BEFORE**

- **URBAN FRINGE**
- Scattered farmhouses

**AFTER**

- **RURAL AREA**
- High-rise apartment buildings
- Reclaimed farmland

Using Locally Created Quotas
<table>
<thead>
<tr>
<th>Variation in interventions</th>
<th>No. of Cases</th>
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<tbody>
<tr>
<td>Cities with traditional land conversion</td>
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</table>

Source: [http://www.travelchinaguide.com/map/](http://www.travelchinaguide.com/map/)
4. Land Quotas are Transacted on the Market

Photograph of land quota transaction removed due to copyright restrictions.

Source: http://news.ifeng.com/gundong/detail_2011_07/29/8035871_0.shtml
What is “Quota”?

- The “centrally allocated quota” (the official quota):
  - Officially allocated by the central government
  - To control the speed and scale of land conversion
  - An administrative constraint on local government

- The “locally created quota” (the new quota):
  - Created and backed by local governments
  - To circumvent the control of central government on the speed and scale of land conversion
  - A commodity sold to land developers
What Does Quotas Do?

- A permission to convert land
- It does NOT represent the development right of the land (Developers still need to bid for land)
- Help local governments alleviate the problem of land shortage
My Argument

Typical Land Taking

Problems in Political Economy Relationship
Gov’t vs. Peasants
Gov’t vs. Businesses
Urban vs. Rural Govt
Central vs. Local Govt

Difficulties in Land Conversion

Spatial Logics

Spatial Patterns

Introduction of Land Quota Market

Ameliorated Political Economy Relationships
Gov’t vs. Peasants
Gov’t vs. Businesses
Urban versus Urban Govt
Central vs. Local Govt

Solving Problems in Old Land Conversion Model
Changes in Three Steps

**BEFORE**

**URBAN AREA**

High-rise apartment buildings

**RURAL AREA**

Scattered farmhouses

**AFTER**

**Quota Market**

Use of Quota Trading

Quota Generation

Reclaimed farmland
• Quota Generation
• Quota Use
• Quota Trading
Quota Generation

• The process:
  ✓ Land: Construction, demolition, reclamation
  ✓ Peasants: Negotiation, compensation, resettlement

• Key actor: “Quota developers”
  ✓ profit by “undoing” the development
  ✓ Government entities and private entities
Quota Generation: Costs

Compensation to peasant households, 70%
Compensation to rural collectives, 12%
Engineering costs, 10%
Profit by Quota Developer, 7%
Land Use Changes in Rural Area

Source: Replication of Figure 7 in Yang 2011, How to Build a New Socialist Countryside. (Unpublished manuscript)
Land Use Changes in Rural Area

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Land Use Changes in Rural Areas

**BEFORE**

- Scattered farmhouses

**AFTER**

- Apartment buildings
- Reclaimed farmland

Quota Generation
<table>
<thead>
<tr>
<th>Structure</th>
<th>Owned by peasants</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Rural Housing Land&quot;</td>
<td>Use right assigned to peasants</td>
</tr>
<tr>
<td></td>
<td>Use type (decided by the collective)</td>
</tr>
<tr>
<td></td>
<td>Construction</td>
</tr>
<tr>
<td></td>
<td>Farming (residual right)</td>
</tr>
<tr>
<td>Owned by rural collective</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Structure</th>
<th>Demolished. No more ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Farm Land&quot;</td>
<td>Use right provoked from peasants</td>
</tr>
<tr>
<td></td>
<td>Construction right severed from the collective</td>
</tr>
<tr>
<td></td>
<td>farming only</td>
</tr>
<tr>
<td></td>
<td>Owned by rural collective</td>
</tr>
</tbody>
</table>

Quota = Construction Right
<table>
<thead>
<tr>
<th>Right in Housing</th>
<th>Farmhouse owned by peasants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right in Land</td>
<td>Use right of the entire plot assigned to peasants</td>
</tr>
<tr>
<td></td>
<td>(owned by rural collective)</td>
</tr>
<tr>
<td>Right in Housing</td>
<td><strong>Apartment</strong> owned by peasants</td>
</tr>
<tr>
<td>Right in Land</td>
<td>Use right <strong>shared with</strong> other households</td>
</tr>
<tr>
<td></td>
<td>(owned by rural collective)</td>
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</tbody>
</table>
- **Location A**
  - Constr. Land: (-) 100 Mu
  - The collective severing construction right in the 100 Mu in Location A
  - Farm-land: (+) 100 Mu
  - Farm-land = Having the responsibility to reserve the land for farming

- **Location B1**
  - Constr. Land: (+) 30 Mu
  - The collective receiving construction right in the 30 Mu in Location B1
  - Farm-land: (-) 30 Mu

- **Quota Certificate**
  - Constr. Land: (-) 70 Mu
  - The collective severing construction right of 70 Mu in the village → QUOTA of 70 Mu owned by quota developer used elsewhere
  - Farm-land: (+) 70 Mu
Land Quota Certificate

Photograph of China's land quota certificate removed due to copyright restrictions.
### Land Quota Certificate

- **283.5090 mu = 46.704 acre**
  
  (1 Mu = 0.165 acre)

- **Reclaimed lots:**
  - **172 in total**

- **Obtained by original quota generation**

- **(-) in Shima, Kaiyuan villages**
- **(+) in heshan township and Changqiu town**

- **Net (-) in construction land is quota**

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Urban Expansion *With* Quota Trading

- Villages in deep rural areas are affected
New Spatial Logics

Location Matters Less!
- Proximity does not matter
- Continuity does not matter
- Distance is *negatively* correlated with likelihood of resettlement

Density Matters!
- Density change is positively correlated with likelihood of resettlement
New Political Economy Relationships

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Density Matters!
- Density change is positively correlated with likelihood of resettlement

Less Holdout (Stubborn Nail) Problems

Less Confrontations

Drastic Changes in Life Style and Social Relations
Questions, Comments, Concerns?

*Questions are more important than answers!*
Concluding Remarks

What have we learned from studying the Case?
Reflection on Property Rights Theories

• **Bundle of Rights**:  
  construction right is one of them

• **Alienation of Rights**:  
  severed from the physical being

• **Definition of Rights**:  
  shaped by political powers, changed social contract

• **Other Right Transfer Policies** (Similarities and Differences)  
  Transferrable Development Right-TDR, Fishing Quotas, Carbon Trade)
Reflection on State and Market Theories

- **Phenomenon:** Meticulous crafting of formal market institutions

- **Process:** State making a market?

- **Result:** More market or more state intervention?
Reflections on Politics of Policies

Central versus local governments

a. Control versus anti-control

b. Indiscriminate policies versus differential policies

c. Outliners versus innovators
Other Connections

Land Quota Market and Hukou
“land exit” mechanism

Land Quota Market and Public Finance
A new version of “land public finance”, a new version of “land commodification”
New Socialist Countryside?
Rural Urbanization?

Advertisement for housing removed due to copyright restrictions.
Additional Slides
Compensation to peasant households (70% of total costs)
Compensation to rural collectives (12%)
Engineering costs (10%)
Profit by Quota Developers (7%)
Profit by Quota Investors

Quota Market

Price of Quota
Compensation to peasant households (70% of total costs)
Compensation to rural collectives (12%)
Engineering costs (10%)
Profit by Quota Developers (7%)
Profit by Quota Investors

Quota Market

Price of Quota

Land Market

Price of Quota

Land Leasing Fee
Assertion by Local Governments and Land Developers

Worries of Ministry of Land and Resources
Re-spatialization of Land Transfer

• What conflicts in the present model (Tsing, Liyan) are space-related?

• How does land quota markets do away with these conflicts?

• Spatial constraints $\rightarrow$ political economy relationship

• De-spatialization $\rightarrow$ changed political economy relationships
Political Economy Relationships

• Government-Peasant Relationships
• Government-Business
✓ With Land Developers
✓ With Quota Developers
• Inter-governmental Relationships
Research Design and Data Collection

• Case study
  o Suitable for examining institutional changes and political economy relationships
  o Two cities as primary cases + comparisons with other four cities

• Data Collected from
  o Field visits (6 cities)
  o In-depth interviews (55)
  o Statistics of quota generation projects (735)
    • Market data
    • Spatial data
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**Controls**

- Economic development level
- Demand for land
- Gap between rural and urban incomes
- Density of existing rural settlements
- Support from the central government

Source: [http://www.travelchinaguide.com/map/](http://www.travelchinaguide.com/map/)

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<table>
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<tr>
<th>Chapter</th>
<th>Title/Content</th>
<th>Purpose</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td>Introduction:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Discontents in land conversion</td>
<td>Explain Y</td>
<td>- <strong>Green</strong> cities vs. <strong>red</strong> cities</td>
</tr>
<tr>
<td></td>
<td>- Emergence of Land Quota Market</td>
<td>Introduce X</td>
<td></td>
</tr>
<tr>
<td><strong>2</strong></td>
<td>Operations of Land Quota Market</td>
<td>Examine X</td>
<td>Schematic model drawn from <strong>Green</strong> cities</td>
</tr>
<tr>
<td><strong>3</strong></td>
<td><strong>Generation of Quotas: the Rural Side Story</strong> (<em>the peasant story</em>)</td>
<td>Test $x_1 \rightarrow y_1$</td>
<td><strong>Green 1</strong> (vs. <strong>red</strong> cities)</td>
</tr>
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<td><strong>4</strong></td>
<td><strong>Use of Quotas: the Urban Side Story</strong> (<em>the developer story</em>)</td>
<td>Test $x_2 \rightarrow y_2$</td>
<td><strong>Green 1</strong> (vs. <strong>red</strong> cities)</td>
</tr>
<tr>
<td><strong>5</strong></td>
<td><strong>Trading of Quotas: the Rural-Urban Linkage</strong> (<em>the fiscal transfer to rural government story</em>)</td>
<td>Test $x_3 \rightarrow y_3$</td>
<td><strong>Green</strong> cities vs. <strong>red</strong> cities, <strong>Green</strong> cities vs. <strong>yellow</strong> cities, <strong>Green 1</strong> vs. <strong>Green 2</strong></td>
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<tr>
<td><strong>6</strong></td>
<td>Appeasing the Discontents</td>
<td>Establish $X \rightarrow Y$</td>
<td>Schematic model /Generalizable conclusions drawn from case comparisons</td>
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<td><strong>7</strong></td>
<td><strong>Conclusion: Theoretical and Policy implications</strong></td>
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