

# The Local Political Economy of Urban-Rural Integration and Subsidized Housing Reform in China

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# Research Questions

- In a single-Party state, why do some local leaders actively promote welfare reform, whereas others do not?
- What drives some local officials to actively promote welfare reforms that have great short-term economic and fiscal implications?

# Why a puzzle?

- Social policy in democracies
  - strength of left-labor alliances, electoral-economic cycle  
e.g.: Wright 1974; Korpi 1983
  - varieties of capitalism, development strategy  
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- Social policy in non-democracies
  - exchange welfare for votes in competitive authoritarianism  
e.g.: Magaloni 2006; Stokes et al. 2013
  - promote economic growth through welfare  
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  - ruling strategy  
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  - ruling strategy  
e.g.: Olsen 1993; Gandhi 2008
- Social policy in China
  - an area of neglect

# My argument

- Economic, not social, considerations are the key driving force underlying these welfare reforms.

# Outline

- Case studies of local urban-rural integration reform
- Case studies of local subsidized housing reform
- Statistical analysis of exclusiveness of local subsidized housing provision

# Urban-Rural Inequality

- Household registration (*Hukou*) system since 1958
- Local experiment



# Pilot sites

- Chengdu

*The core of urban-rural integration in Chengdu lies in the reform of rural land property rights. The ultimate goal of integrating urban and rural areas is to greatly enhance land use efficiency in order to improve local economic growth. We do not intend to encourage a large number of farmers to become urban residents. Our main goal is to achieve free mobility of factors of production between urban and rural areas, including labor, capital, and land. (Interview with an official in a district urban-rural integration committee)*

# Pilot sites

- Chongqing

*The government intends to expand domestic demand and consumption by promoting rural-to-urban migration. The influx of 10 million people into the cities will stimulate urban economy: the [new urbanites] need to buy or rent apartments and send their children to schools; they need to consume in the cities. This also explains why Chongqing is the most ambitious province in building affordable houses to accommodate this population group. (Interview with a local scholar)*

# Land reform

- Two main strategies in land reform are:
  - (1) promoting circulation of land use right to attract private, mostly urban, investment in agricultural industry
  - (2) gaining construction land quotas to build factory-intensive industrial parks by relocating rural residents to multi-story buildings and reclaiming their original housing land to arable land

# Land reform

- Welfare provision in exchange for cooperation in land reform

*The policy promises that we do not need to give up land or any other property to enjoy urban welfare benefits. Yet, offering these benefits is a carrot to pressure us to cooperate in relocation and their land grabs. It is an exchange of favors. (Interview with a local resident)*

# Findings

- Welfare provision in urban-rural integration is a byproduct of land reform

# Subsidized housing policy

- Housing reform since 1979
- 1998 national policy
- Three main types of subsidized housing

Types of Subsidized Housing	Eligible Applicant	Usage Mode	Resell
Economical housing	local middle-income residents	purchase at a below-market price	Yes
Low-rent housing	local low-income residents	rent	No
Public rental housing	local middle-low income households Newly employed Migrant workers	rent	No

# Fiscal implications

- A negative effect on land revenue: land for subsidized housing is administratively allocated without land conveyance fee
- Importance of land revenue (conveyance fee)

# Local response in the new-round reform

- Violation
- Faking it
- Deviation



# Local response in the new-round reform

- Violation
- Faking it
- Deviation
- Active collaboration

*Chongqing is absorbing the industrial transfer from China's eastern coastal area. We need to attract cheap labor, and the public rental housing project is one way to achieve that. Additionally, by providing public rental housing, rural residents are more willing to migrate to cities, which will help stimulate domestic demand and fuel economic growth. (Interview with an official in a district housing bureau)*

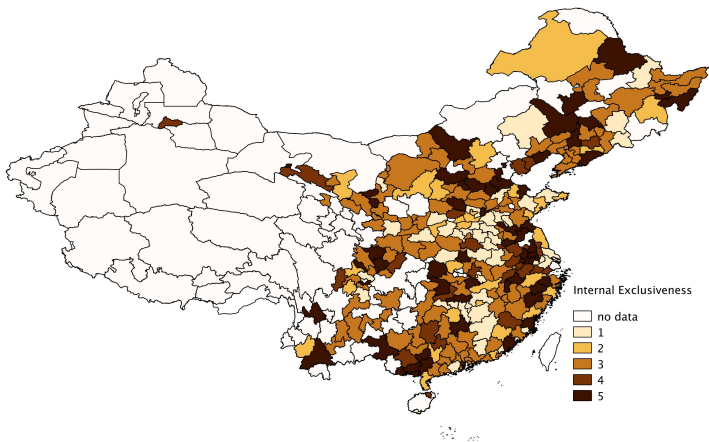
# Findings

- Subsidized housing provision is actively promoted only when it is consistent with local economic development strategy

Dependent variable

# Exclusiveness of subsidized housing provision

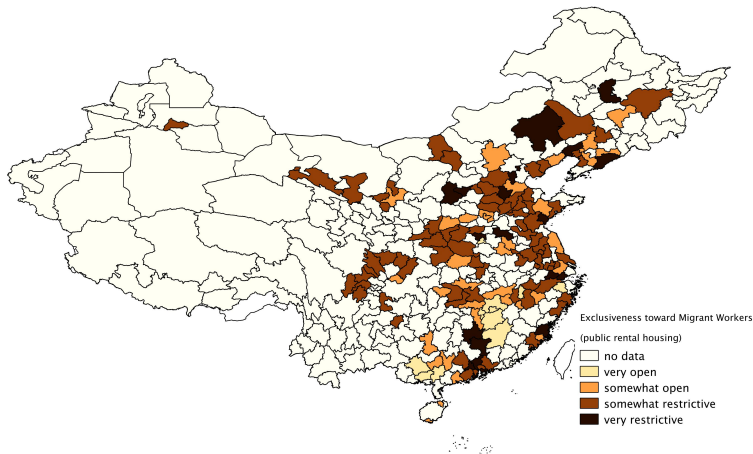
- Exclusiveness toward local residents in low-rent housing



Dependent variable

# Exclusiveness of subsidized housing provision

- Exclusiveness toward migrant workers in public rental housing



# Model

- Dependent variable: exclusiveness toward local residents in low-rent housing (2012)
- Explanatory variable of theoretical interest (2009-2010): investment in real estate development /GDP
- Controls (2009-2010): GDP per capita, GDP per capita growth, population density, and population growth

# Results

DV: Exclusiveness toward local residents	Logit	Ordered Logit
Investment in real estate development/GDP	6.32** (2.89)	5.60*** (2.04)
GDP per capita	-1.70 (7.54)	-.58 (5.86)
GDP per capita growth	-.26 (2.14)	.70 (1.70)
Population density	-.11** (.05)	-.09** (.04)
Population growth	-5.48 (8.87)	-1.37 (6.92)
N	265	265
-2LL	309.93	770.66
Prob>chi2	.047	.028

# Conclusion

- There is an economic logic behind welfare provision in issue areas that have great short-term fiscal and economic implications.

Thank you!