

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

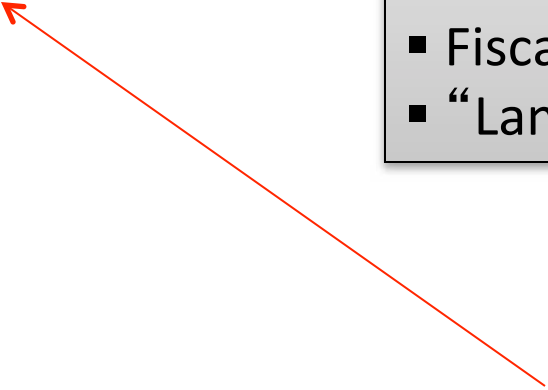
- Rapid urban expansion
- Economic growth target + unfunded mandates of Local Governments
- Land appreciation
- Fiscal incentives to convert land
- “Land Grab”

Local Governments

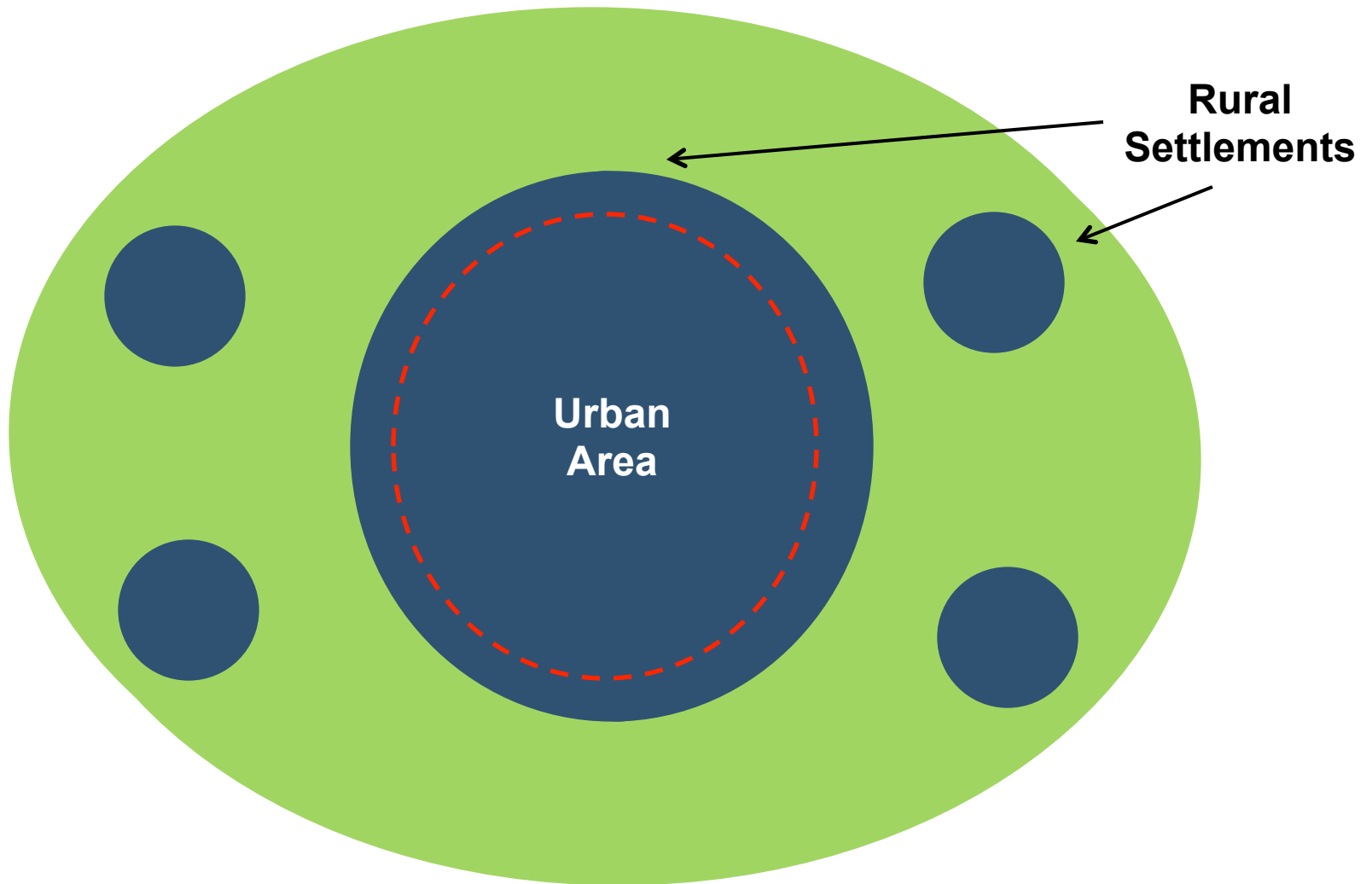
Imposing
“Land Conversion Quota”

Central Government

▪ **Social Conflicts**
▪ **Farmland Loss**



Urban Expansion with Quota Constraint



What We Know about Land and Urbanization in China

???

Local Governments

Imposing
“Land
Conversion
Quota”

Central Government

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

▪ **Social Conflicts**
▪ **Farmland Loss**

New Phenomenon: Land Quota Market

1. Densification of Rural Settlements



2. Reclaiming Old Housing Sites for Farming

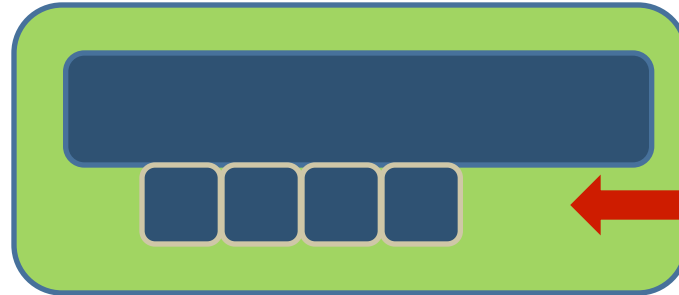


3. Use Quota for Urban Expansion

BEFORE

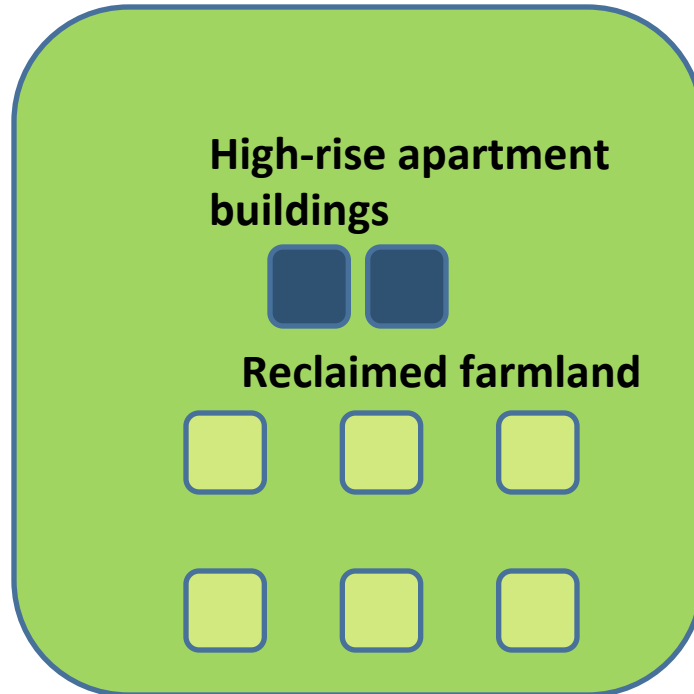
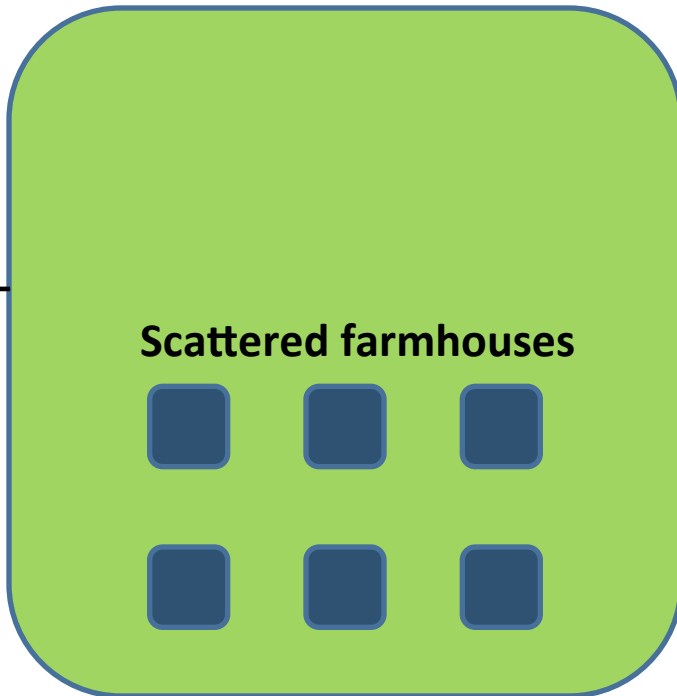
AFTER

URBAN FRINGE



Using
Locally
Created
Quotas

RURAL AREA





Variation in interventions	No. of Cases
● Cities with traditional land conversion	2 out of 600+
● Cities with	2 out of 30+
● Cities with quota markets	2 out of 2 CD vs CQ

Source: <http://www.travelchinaguide.com/map/>

4. Land Quotas are Transacted on the Market

Photograph of land quota transaction removed due to copyright restrictions.

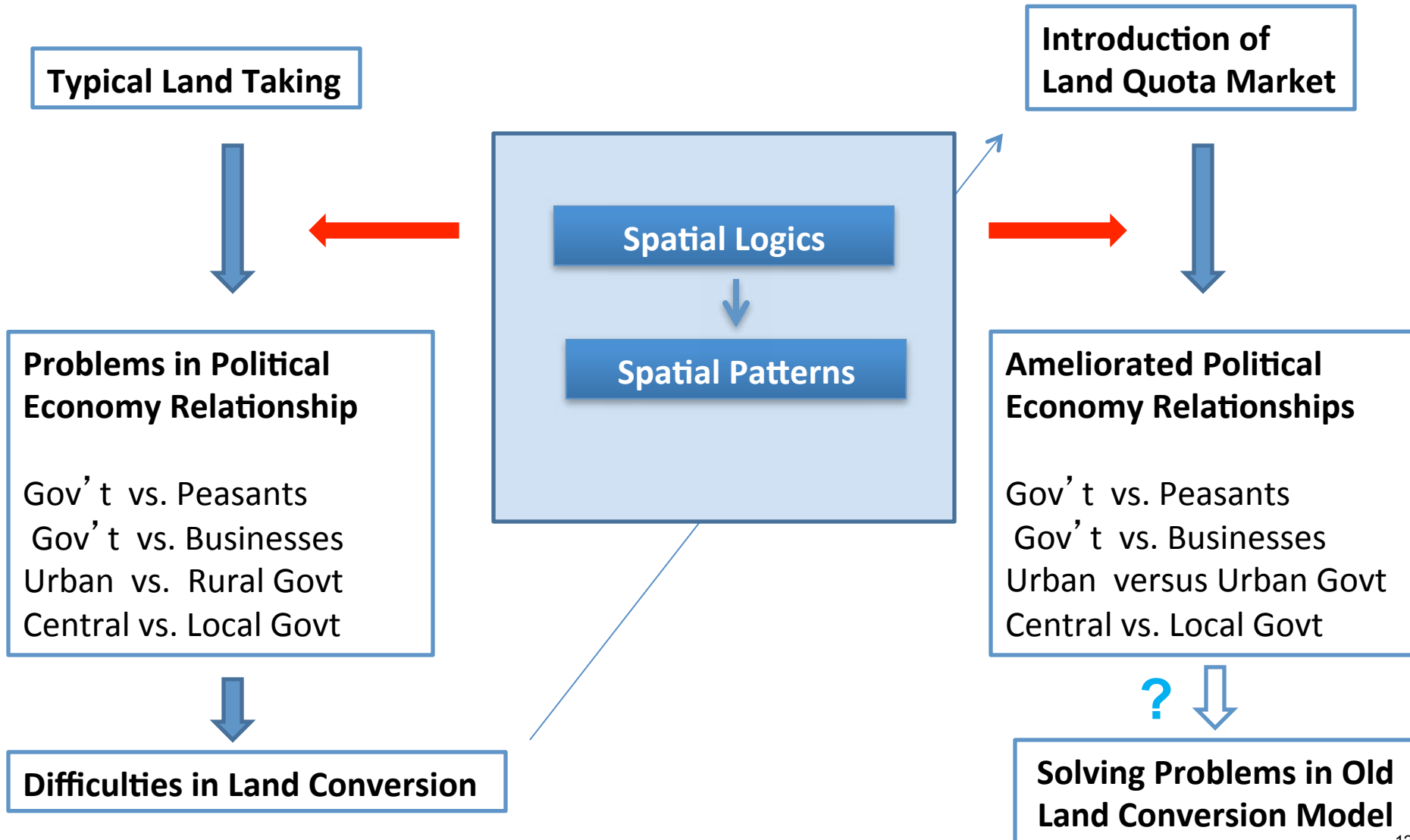
What is “Quota”?

- **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



Changes in Three Steps Quota Market

BEFORE

AFTER

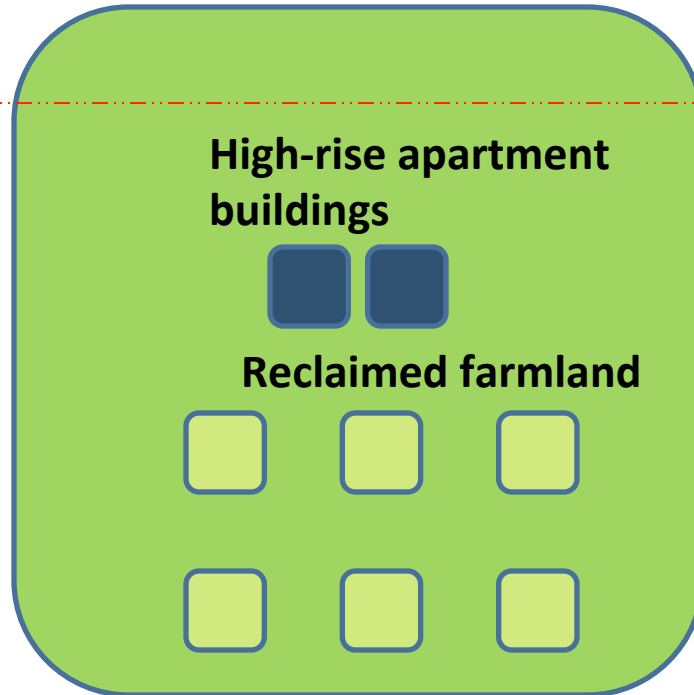
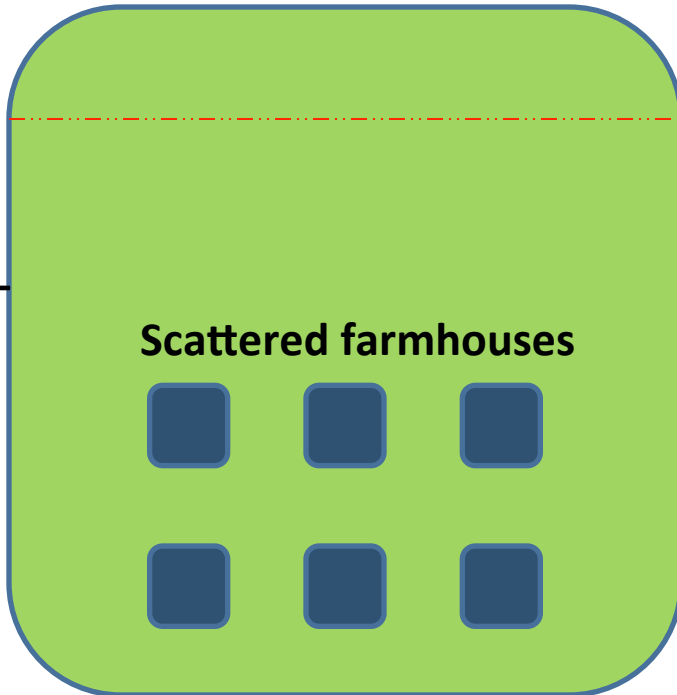
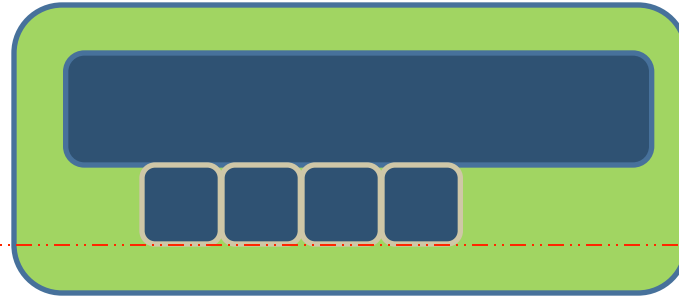
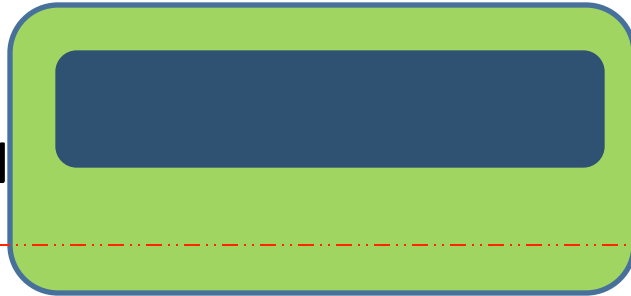
Use of
Quota

Quota
Trading

Quota
Generation

URBAN
AREA

RURAL
AREA

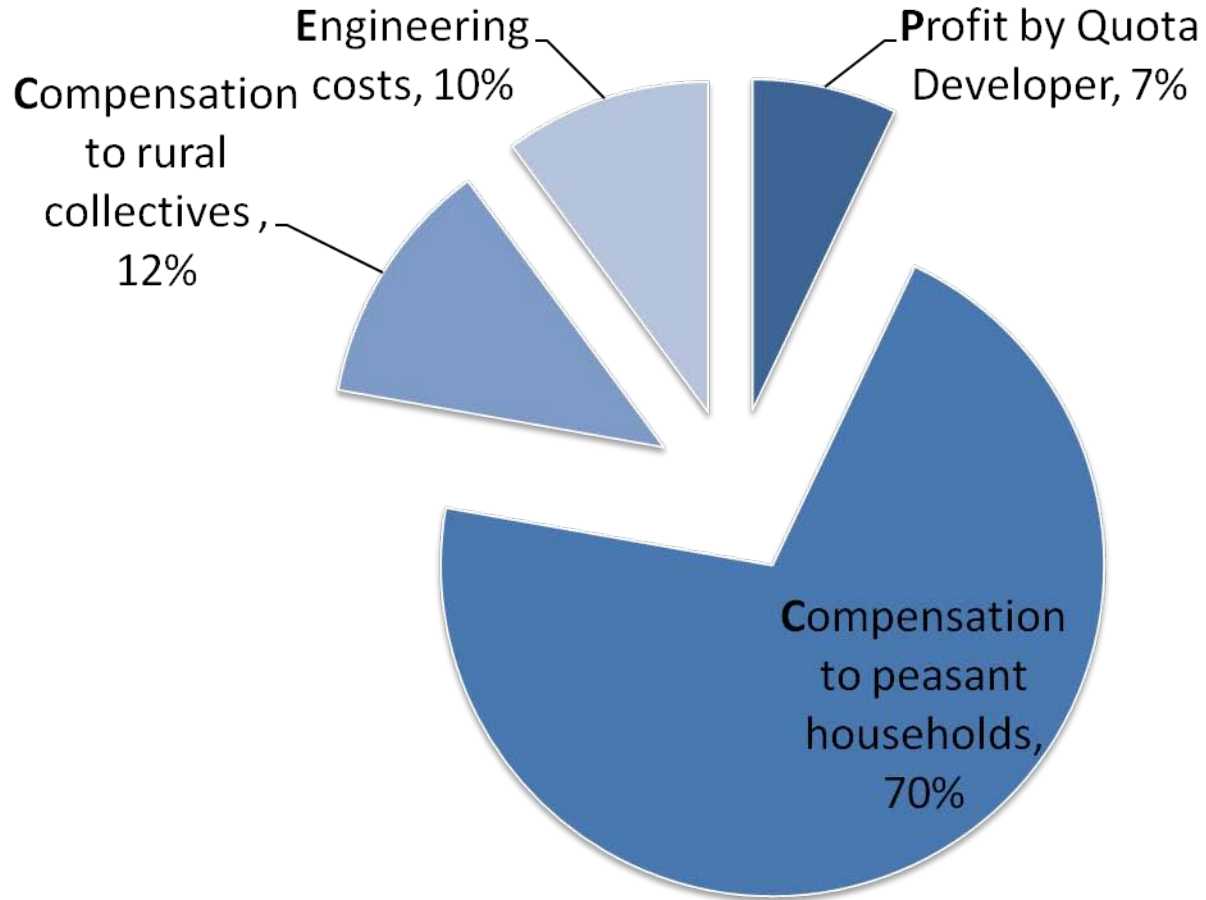


- **Quota Generation**
- Quota Use
- Quota Trading

Quota Generation

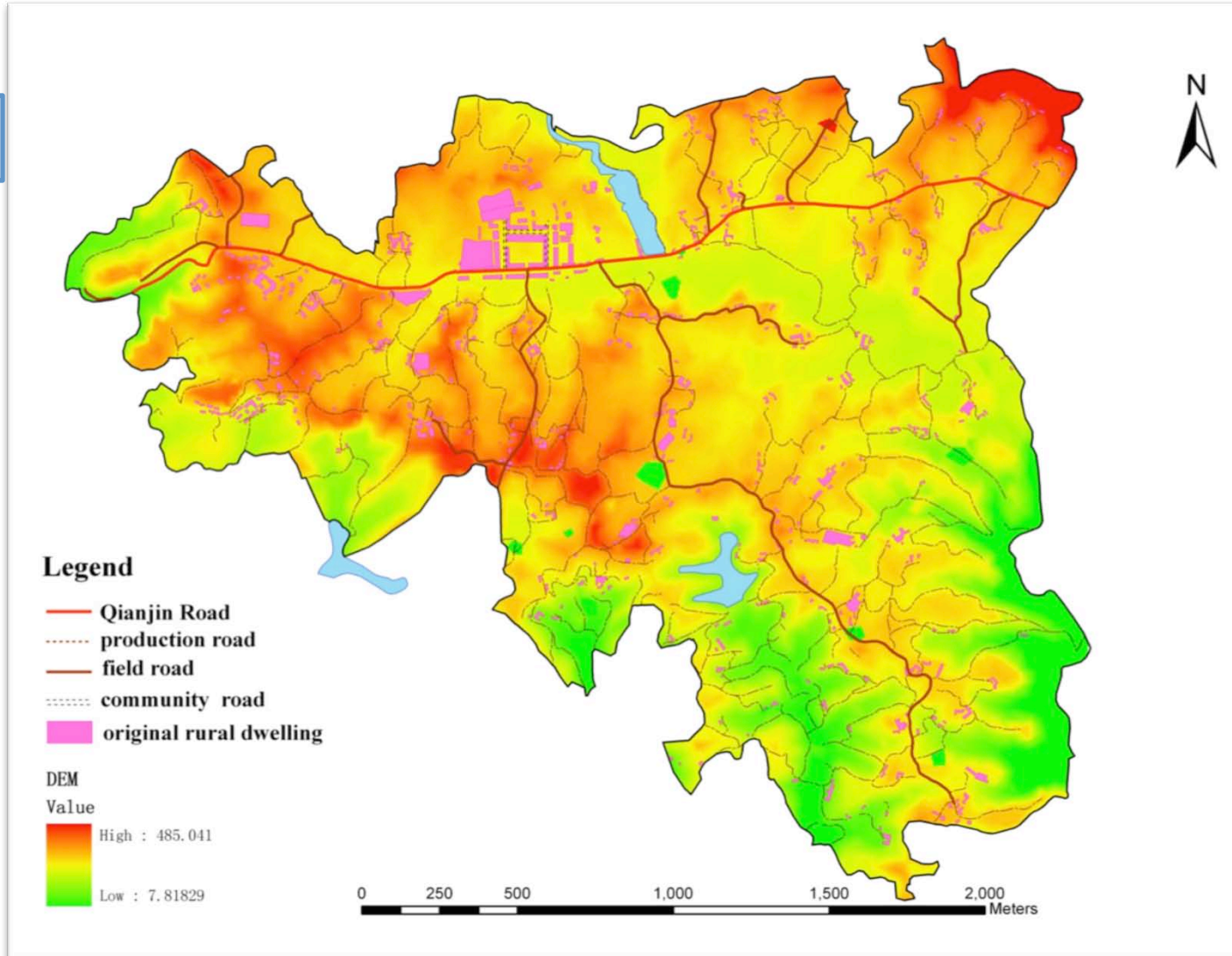
- The process:
 - ✓ Land: Construction, demolition, reclamation
 - ✓ Peasants: Negotiation, compensation, resettlement
- Key actor: “Quota developers”
 - ✓ profit by “undoing” the development
 - ✓ Government entities and private entities

Quota Generation: Costs



Land Use Changes in Rural Area

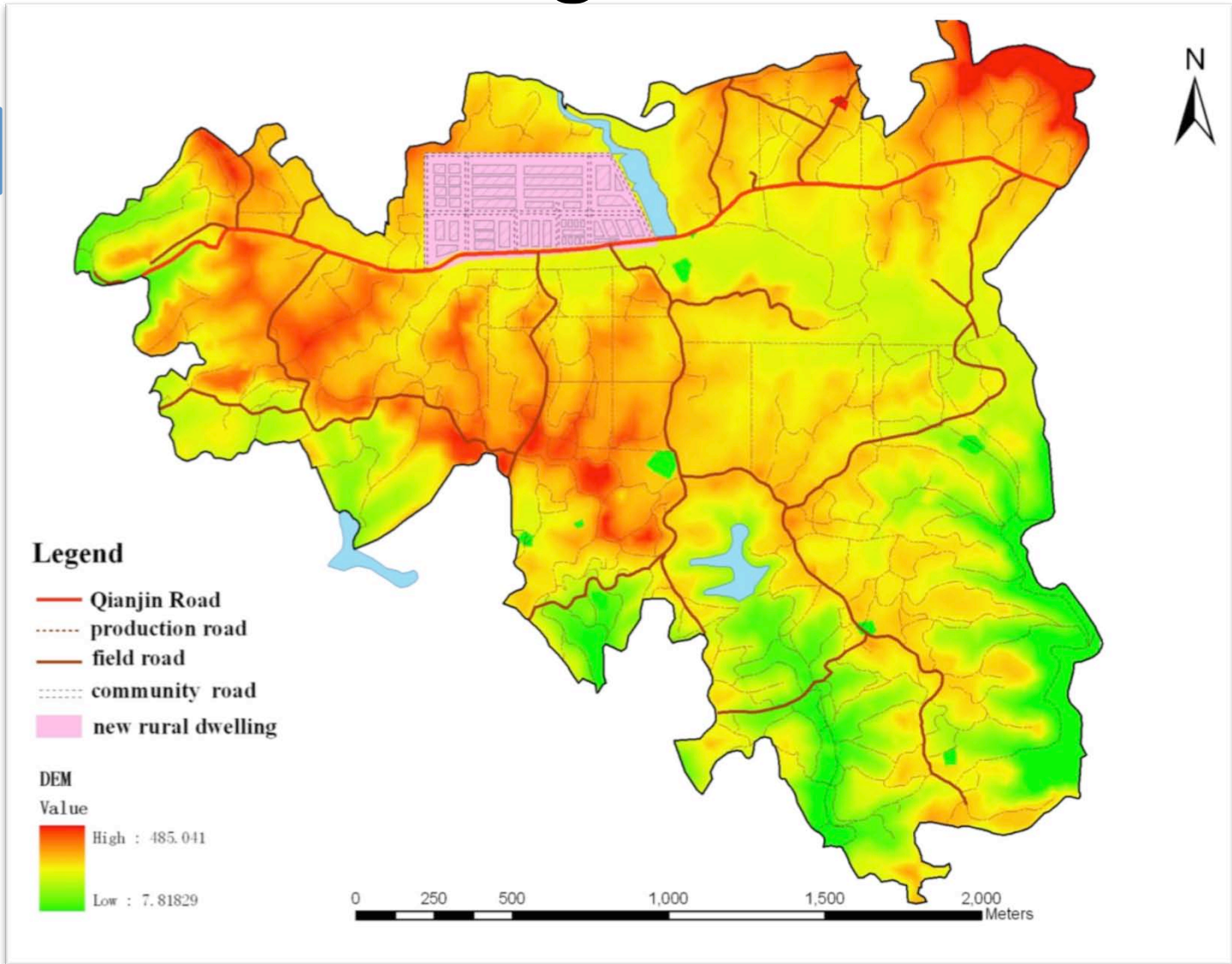
Before



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

Land Use Changes in Rural Area

After



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

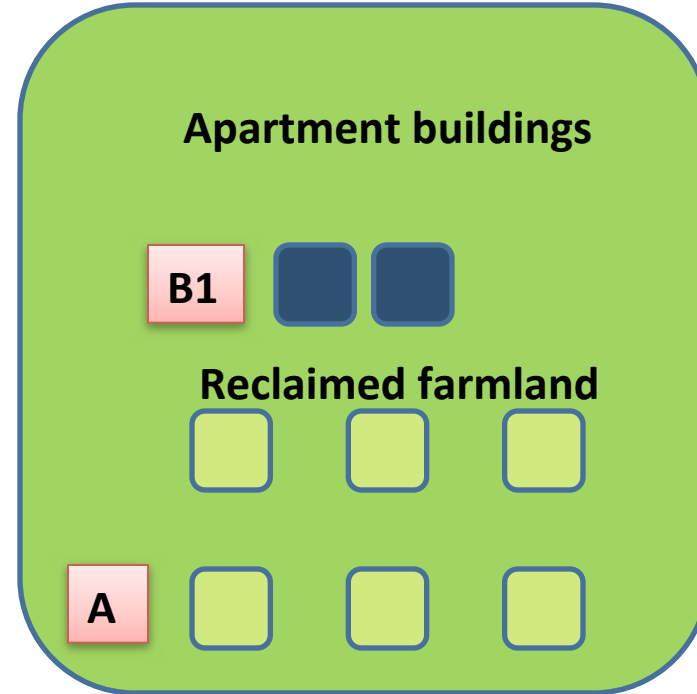
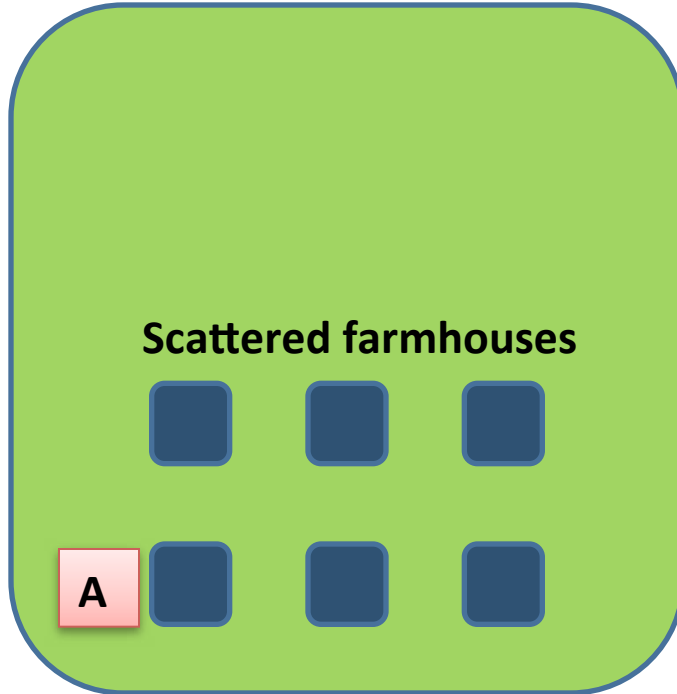
Land Use Changes in Rural Areas

BEFORE

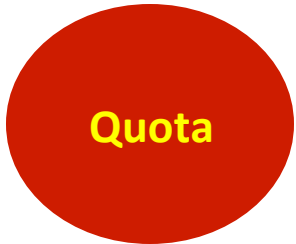
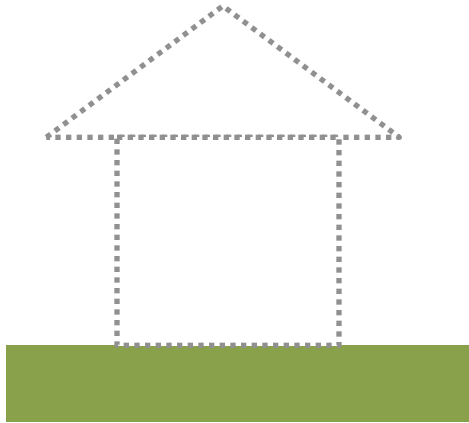
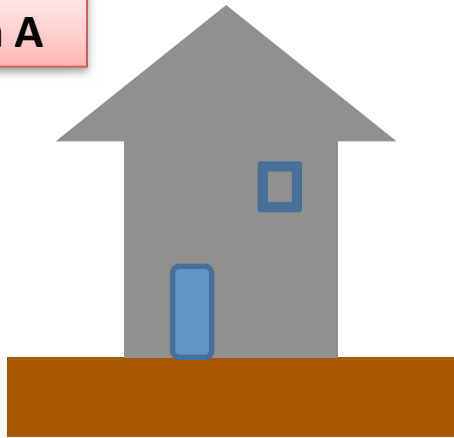
AFTER

Quota
Generation

RURAL
AREA



Location A



Structure	Owned by peasants	
"Rural Housing Land"	Use right assigned to peasants	
	Use type (decided by the collective)	Construction
		Farming (residual right)
	Owned by rural collective	

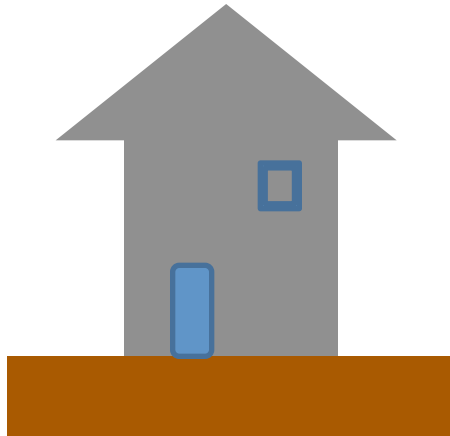


Structure	Demolished. No more ownership	
"Farm Land"	Use right provoked from peasants	
	Construction right severed from the collective	
	farming only	
	Owned by rural collective	

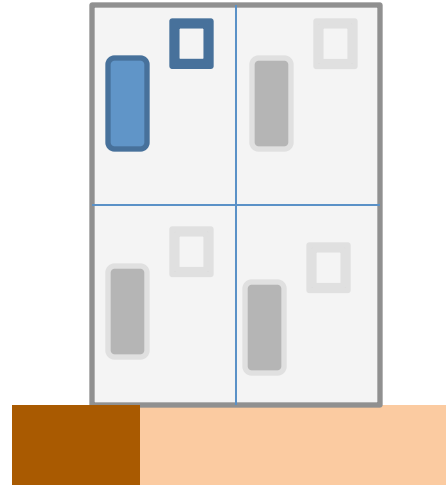


Quota = Construction Right

Location A



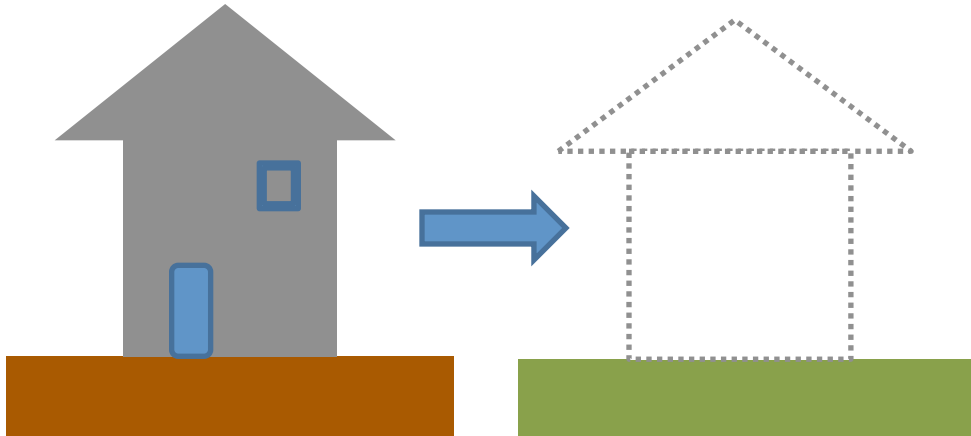
Location B1



Right in Housing	Farmhouse owned by peasants
Right in Land	Use right of the entire plot assigned to peasants
	(owned by rural collective)

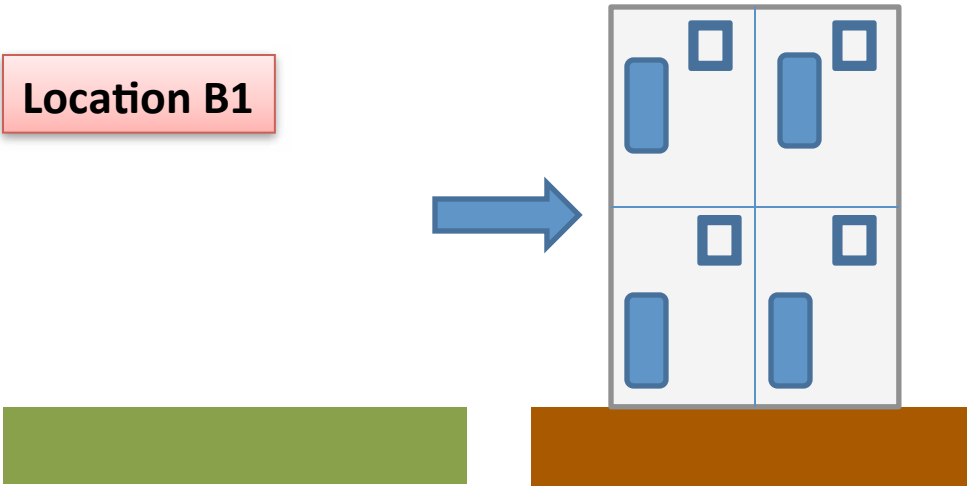
Right in Housing	Apartment owned by peasants
Right in Land	Use right shared with other households
	(owned by rural collective)

Location A



Constr. Land	(-) 100 Mu	The collective severing construction right in the 100 mu in Location A = Having the responsibility to reserve the land for farming
Farm-land	(+) 100 Mu	

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

权利人: 成都翔达土地整理有限公司	
指标面积: 283.5090亩	283.5090 mu = 46.704 acre (1 Mu = 0.165 acre)
取得方式: 原始取得	
指标用途: 持证准用	
交易编号:	
单价 (万元/亩):	
总额 (万元):	
原始取得	项目名称: 四川省成都市蒲江县鹤山镇、长秋乡与蒲县长秋乡石马村、开源村城乡建设用地增减挂钩试点项目
	投资主体: 成都翔达土地整理有限公司
	立项文号:
	合格证号:
验收节:	
登记单位:	

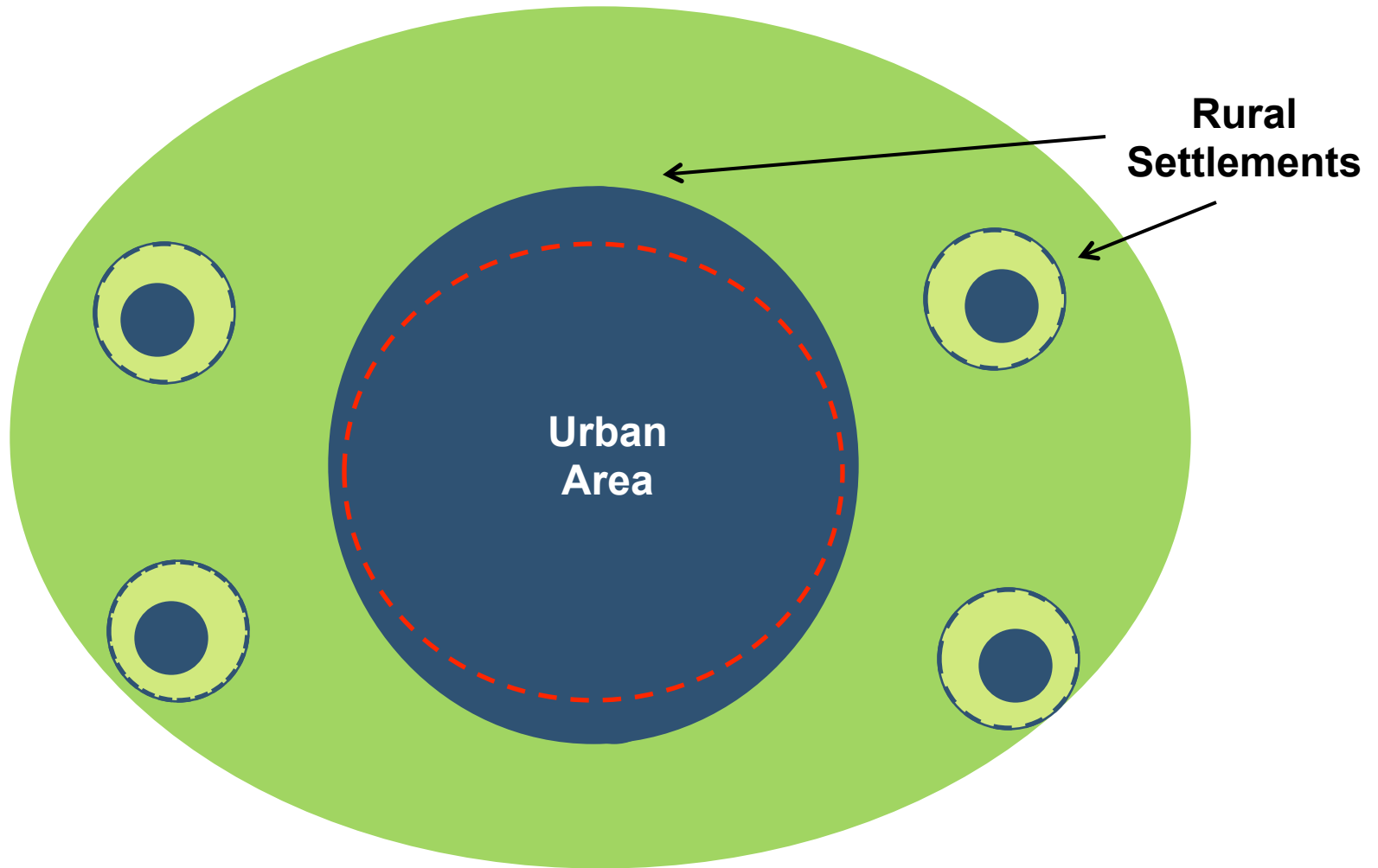
Obtained by original quota generation

(-) in Shima, Kaiyuan villages
(+) in heshan township and Changqiu town
Net (-) in construction land is quota

复垦地块编号:
1#、2#、3#、4#、5#、6#、7#、8#、9#、11#、12#、13#、14#、15#、16#、17#、18#、20#、21#、23#、24#、25#、29#、30#、31#、32#、33#、34#、35#、36#、37#、38#、39#、40#、41#、42#、43#、44#、45#、46-1#、46-2#、47#、48#、51#、52#、54#、56#、58#、59#、60#、61#、62#、63#、65#、66#、67#、68#、69#、70#、72#、73#、74#、75#、76#、77#、78#、80#、81#、82#、83#、85#、89#、90#、92#、96#、97#、101#、103#、105#、111#、113#、114#、117-1#、117-2#、122#、130#、132#、134#、137#、139#、142#、148#、149#、150#、151#、156#、157#、159#、160-1#、160-2#、162#、164#、165#、168#、169#、170#、171#、174#、175#、176#、177#、178#、181#、183#、184#、185#、187#、188#、190#、195-1#、195-2#、197#、199#、200#、201#、205#、206#、208#、215#、216#、218#、220#、223#、225#、227#、231#、235#、239#、240#、241#、243#、244#、245#、246#、247#、248#、249#、256-1#、256-2#、256-3#、256-4#、260#、263#、268#、269#、274#、276#、277#、278#、279#、280#、281#、283#、284#、285#、286#、287#、290#、291#、298#、303#、304# 调整

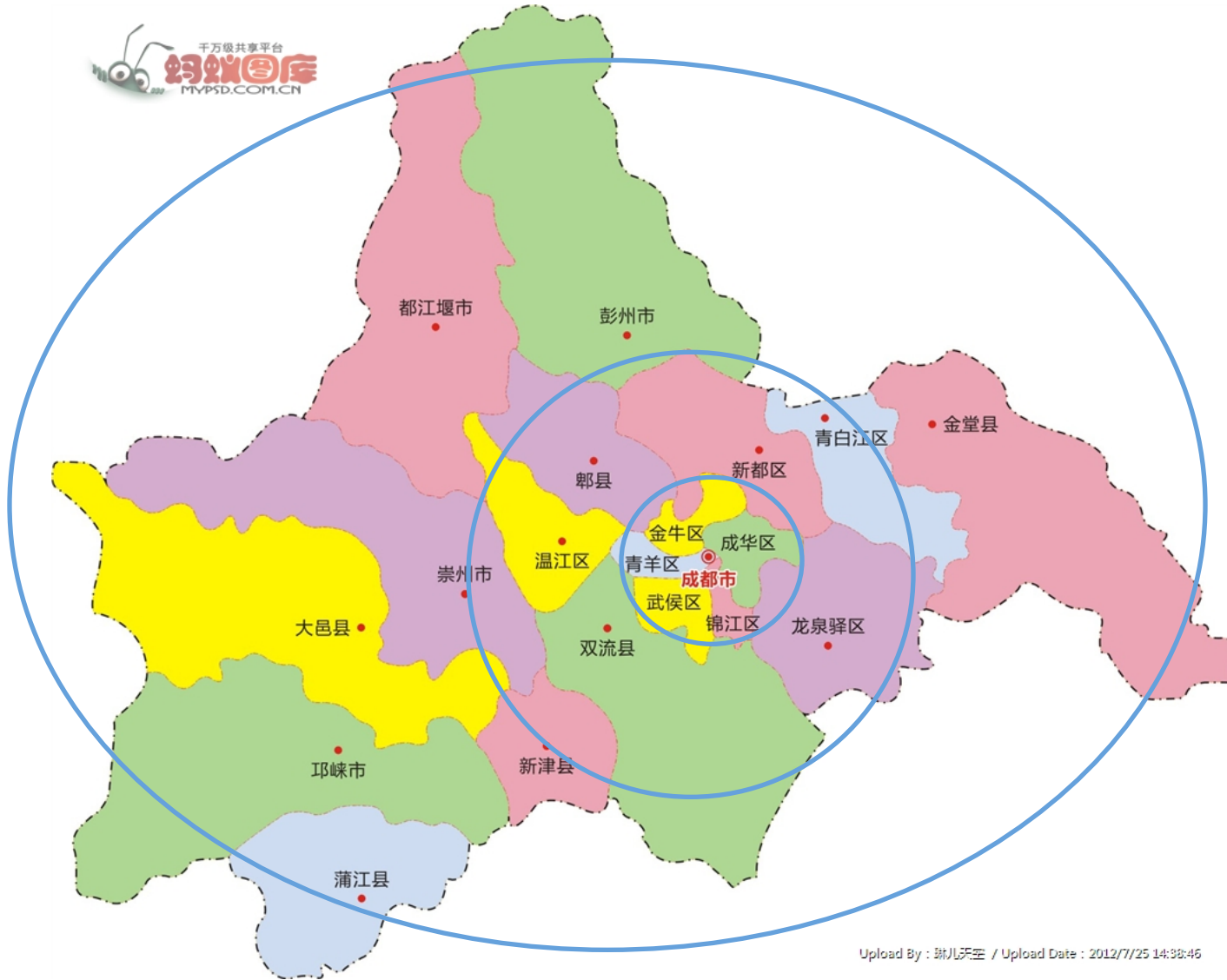
Reclaimed lots: 172 in total

Urban Expansion **With** Quota Trading



- Villages in deep rural areas are affected

Chengdu



- 3rd Zone
- 2nd Zone
- 1st Zone

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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

Location Matters Less!

- Proximity does not matter
- Continuity does not matter
- Distance is *negatively* correlated with likelihood of resettlement

Less Holdout
(Stubborn Nail)
Problems

Less Confrontations

Density Matters!

- Density change is positively correlated with likelihood of resettlement

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

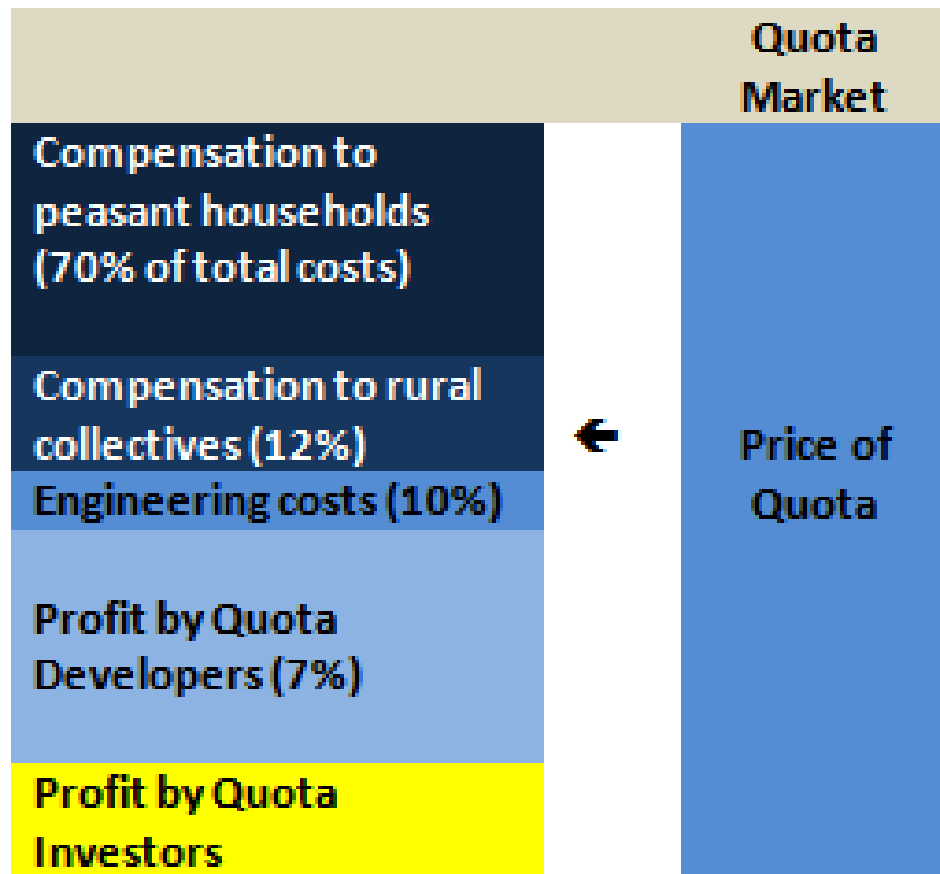
Land Quota Market and Public Finance

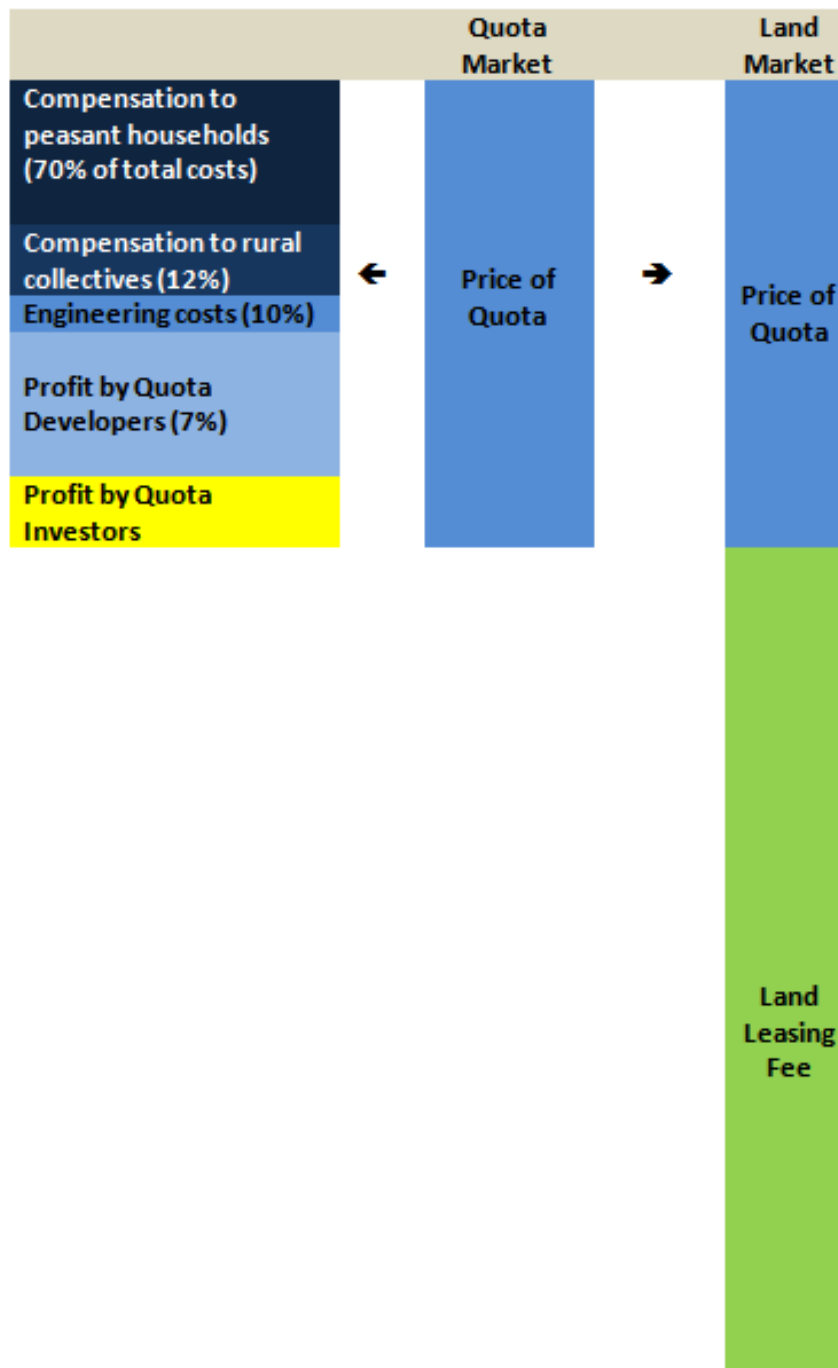
A new version of “land public finance”, a new version of “land commodification”

New Socialist Countryside? Rural Urbanization?

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Additional Slides





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 → **political economy relationship**
- De-spatialization → 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**
 - Suitable for examining institutional changes and political economy relationships
 - Two cities as primary cases + comparisons with other four cities
- **Data Collected from**
 - Field visits (6 cities)
 - In-depth interviews (55)
 - Statistics of quota generation projects (735)
 - Market data
 - Spatial data



Variation in interventions	No. of Cases
● Cities with traditional land conversion	2 out of 600+
● Cities with quota markets	2 out of 30+
● Cities with 2 CD vs CQ	2 out of 2 CD vs CQ

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/>

Dissertation Chapter Outline

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

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Fall 2013

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