China’s Pro-growth Urban Planning in Rapid Urbanization

– Resource mobilization and responsiveness to market change

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(A preliminary draft, no quotations without consents from the author)
Abstract

Urban planning should be an effective tool for maintaining status quo interests and establishing order for the land market. Planning as a positive instrument for socioeconomic change is demonstrated in the exercise of plan-making. However, there are no mechanisms in the planning system to generate development initiatives and thus to guarantee positive implementation of plans. China’s pro-growth urban planning paradigm emerges from the unique historical circumstances. Post-1978 deliberate urbanization results from pre-1978 suppressed urbanization which created great shortages of urban land and premises. Huge demand for physical accommodation and great urban expansion hatch out a planning system which should fulfill the expiration of a growing economy. Both instruments of strategic concept plans and the flexible development control regime are listed by the local developmental state cannot be ignored as one of the important contributing factors to the spectacular economic growth. The essence of the pro-growth urban planning is three-fold. Preference is given to newly emerging interests over status quo interests, land revenues are mobilized to develop quality infrastructure and public facilities, and planning is made responsive to market change. Nevertheless, a real long-term sustainable growth, which is not promised by the existing planning practice, requires further institutional change to the transitional paradigm of China’s urban planning.

1. Introduction

Though interrelated, urbanization, economic growth and urban planning are in the three different domains, having their own logics. Urbanization as a result of trading and industrialization has improved the welfare of mankind tremendously, but it has also created malicious urban problems degrading human’s life. It is commonly known that urban planning aims to mitigate the negative impact of uncontrolled urban growth and to manage development of urban settlements according to pre-set goals. In the market economies, economic growth and land use planning have independent research agendas which seldom converge, and views and ideological standing of economists and planners often epitomize the binary confrontation of the state versus the market. Conventionally, economic efficiency concerns economists, while social equity and environmental sustainability matter to planners.

The modern urban planning started as an exercise of producing physical plans to be followed in building urban settlements, or to be used for land development controls. Ebenezer Howard’s *To-Morrow: A Peaceful Path to Real Reform* (1898) and his garden cities Letchworth (1903) and Welwyn (1920) are duly considered the onset of modern urban planning, though there were a few planned cities or settlements (Beijing of the Ming and Qing Dynasties, Washington, D. C., British model industrial villages such as New Lanark and Port Sunlight, to cite a few) prior to the Howard era. The very English term “town planning” was allegedly coined by the Birmingham councilor John Sutton Nettlefold in 1905 (Sutcliffè, 1981).
This paper explores and analyses an emerging nouveau practice of China’s pro-growth urban planning. By looking into the nature of urban planning, the author scrutinizes the issue how urban planning can promote local economic growth in the context of rapid urbanization. Without a capacity of mobilizing economic resources and consensual social support, urban planning can hardly achieve both physical and economic growth actively and directly. Derived from the precedent central economic planning system with which urbanization was effectively planned and controlled, and against the background of a unique institution of the local developmental state arising from the economic transition, the model of China’s pro-growth urban planning is generated by the rapid urbanization driven by the endogenous industrialization and exogenous globalization. The pro-growth urban planning is composed of two elements, i.e. land use plans especially the strategic concept plan, and flexible development control. Recognizing its path-dependant rationality and short-term achievements in the historical circumstances, the author believes that the pro-growth urban planning should be a transitional paradigm. It will evolve further to become an institution responsible for long-term sustainable growth.

2. A conceptual framework: linking urban planning with local growth

There is a broad consensus that general objectives of urban planning are to help achieve economic efficiency, social equity and environmental sustainability in the shaping and reshaping built environment. However, there is no consensus that urban planning is able to successfully achieve those noble aims. The role of urban planning needs to be scrutinized.

2.1 The role of urban planning: passive regulations and governance

According to a definition widely cited in the 1960s and 70s, urban planning is “the art and the science of ordering the use of land and the character and siting of buildings and communication routes so as to secure the maximum practicable degree of economy, convenience and beauty” (Keeble, 1969: 1). There are two generic categories of urban planning regarding land uses: land use plans – both long-term for the future and short-term for the present; and development control – managing land development according to land use plans. Land use planning serves the purposes of spatial coordination of land uses and provision of supportive infrastructure for local growth, while development control based on master plans or zoning maintains order in the development of urban built environment through internalizing externalities according to the system of land owners’ property rights.

Planning should be effective in maintaining status quo interests and establishing order for the land market, if the planning machinery has the statutory status. Land use plans and development control provide order and certainty to the land development market, which is deemed favorable to local communities. However, development control is intended to maintain the existing order rather than to initiate radical changes. “The control was exercised by the full force of the law and was very largely negative in effect, i.e. the
schemes and their implementation were concerned with what should not occur rather than what should come about” (McLoughlin, 1973: 15-6).

Planning as a positive instrument for socioeconomic change is actually demonstrated in the exercise of plan-making. Well-known classic plans such as Garden City, Radiant City, City Beautiful and Neighborhood Unit have been inspirational exemplars to the planners. However, in the market economy where developers primarily make development decisions, there are no mechanisms in the planning system to generate development initiatives and thus to guarantee positive implementation of the plan, except when the development market is buoyant (so that planners could take those development proposals in accord with the plan and reject those which are not) or when developers are public agencies (such as New Town Corporations, governments of Brasilia, Canberra, Singapore).¹ As a matter of fact, planners’ positive influence in effecting change has been in recession in many developed countries where economic growth slows down considerably (Peiser, 1990). Urban planning is increasingly becoming a tool of urban governance mediating various interests in pluralist society, instead of a statement of visions and missions.

2.2 Urban planning promoting local growth: active initiatives

Can urban planning achieve the objective of actively promoting local growth? In many developing countries with adopted mixed economic systems in the 1960s, planning was given a task to facilitate economic growth, and it was termed as development planning. According to Waterston (1965), urban planning and development planning are planning activities classified into two different categories. Waterston (1965: 27) further explains the definition of development planning: “countries were considered to be engaged in development planning if their governments were making a conscious and continuing attempt to increase their rate of economic and social progress and to alter those institutional arrangements which were considered to be obstacles to the achievement of this aim”. The outputs of development planning are often in the form of 5-year economic development plans at national or regional level.

Regional planning in the developed counties intends to coordinate a balanced regional development either by allocating public resources to designated deprived areas more than their fair shares or by restricting developments in prosperous localities, and thus the former could have a chance to receive investments which might otherwise not come without development controls exerted in the latter (Wannop, 1995). ²

¹ Or private developers who were philanthropists committed to social reform such as Robert Owen who built New Lanark, Scotland, and who were concerned with social welfares like James W. Rouse who built Columbia, Maryland, USA.

² The 1947 Town and Country Planning Act introduced Industrial Development Certificates (IDCs), and industrialists wishing to build new factories of 5,000 sq ft or more in size were required to apply for IDCs (Hall, 1999). IDCs were intended to divert industrial expansion to designated “development areas”. Turok (1989) claims that the shortage of factory space in London in the 1950s and 1960s was one of the reasons that surrounding new towns grew quickly by absorbing those industrial firms that otherwise had been settled in London. Since late 1964, an Office Development Permit was needed for developers to built offices with size above the specified in London, upon the sufficient evidence of necessity for the proposed
The concept “growth poles” gained currency in the mid 20th century to address unequal regional development against the positive theory of polarized development (Friedmann and Weaver, 1979), but it lacked empirical evaluation supportive of its experiments. Regional economic development mediated by the planning-coordinated redistribution of development activities within the region is not necessarily a positive-sum.

Local development has become one of the top priorities on the agenda of municipal governments of many western industrial cities that have been experiencing structural change of economies and suffering from tremendous job losses. Market failures are obvious in inner cities that should draw investments to where land and property costs are lower than other localities. Urban planning as a tool of public intervention is logically tasked to formulate courses of action for positive socioeconomic change. To promote economic growth, local governments must take on “an initiating rather than a passive role” (Blakely, 1994: 52). Economic growth and public-private partnership have replaced welfare provision, and the government has somehow become “enterprise state” (Cochrane, 1991). Place marketing is actively engaged, aiming to develop economic confidence and to attract inward investment, especially mobile international capital. City governments have shifted their role from conventional regulators to entrepreneurial developers (Jessop, 1998). The link between pro-growth local economic development strategies and urban planning is that those strategies are often property-led, such as “development of high-profile prestige property projects and investment in city place promotion or boosterist activities, geared at enhancing the economic position of a city in relation to other urban centres” (Loftman and Nevin, 1998: 129). 3 Either privately-owned or autonomous, firms as growth engines are not subject to government planning, and are footloose following market fundamentals. What local governments or communities can engage in to stimulate or to maintain economic activities is thus limited, and what city planning departments can marshal are often the land-related resources which are one way or another under the control of governments. However, urban renewal practices have not shown that property-led regeneration is a convincing model leading to sustainable local growth (Turok, 1992). Not a proved solution, urban planning promoting local economic growth remains a tough challenge.

3 Birmingham is an example of transition in the role of local government from providing city residents with services and welfare to managing city affairs with entrepreneurial approaches. Over years, the urban physical fabric has been substantially transformed by the construction of International Convention Centre, National Indoor Arena, Hyatt Hotel, Brindley Place and Centenary Square (Loftman and Nevin, 1998). Besides business development, community-based improvement schemes and training of labor skills, Blakely (1994) suggested land related programs to regenerate cities such as landbanking, physical infrastructure development on industrial and commercial land, speculative buildings, flexible zoning, regulatory improvement through simplification, development of a detailed physical improvement plan for tourism, and townscaping.
2.3 Background: transition from socialist central planning to local development

The economic reform launched in 1979 aims at a grand dream of national advancement. It is determined that the reforms shall raise economic productivity that was in a dire situation under the rigid central planning system. Decentralization of economic management sets off an unprecedented transformation which gradually replaces central directives with material incentives to the agents at local levels. The state is transforming itself from a producer and socialist welfare provider to an advocate for marketization. The socialist authoritarian state is changing from a pre-occupation with political correctness to the pursuit of economic growth in order to legitimate itself by improving the livelihood of its citizens, with the progressive reforms that are gradually phasing out unsustainable socialist welfarism and letting the market take over its role of provision. A socialist political state is clearly changing to a socialist developmental state (Oi, 1996). Public opinion maintains that popular acceptance of government should be established by its successful management of economic development, because economic growth is the sole goal capable of uniting China’s citizens after thirty years of perennial political upheavals. There are “developmental coalitions deriving political legitimacy from what can be called the nation’s collective aspirations” (Bardhan, 1990:5).

Empowered with autonomy, China’s local governments have changed from a passive agent of the central state to an active developer responsible for local prosperity, which results in competition between the center and localities (Solinger, 1992; Wang, 1994; Nolan, 1995; Oi, 1995; Unger and Chan, 1995; Wong, Heady and Woo, 1995; Huang, 1996). Advancing development strategies that can stimulate local growth and expanding fiscal capacity become two indispensable goals of local governments (Wong, 1987; 1992), resulting in the re-emergence of localism in China’s national politics. As a result, autonomous local governments are highly motivated to maximize local revenues (Breslin, 1996; Lin, 2000). Born out of its origin of the socialist state in the centrally-controlled economy, China’s local government has become an economic interest-group with its own policy agenda and preferences, and thus have become the local developmental state (Zhu, 2005).

The local developmental state intends to play an active and facilitative role in guiding market forces to achieve the goal of local growth. As the state is no longer the principal

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4 In the late 1980s and early 1990s, local governments bargained for retention of more fiscal income and pushed the central state to the limit in granting special policies to localities for offering preferential measures in order to attract foreign investment (Reich, 1991; Nolan, 1995). The central state’s role in national development is undermined owing to insufficient central fiscal funds (Wang, 1994). The declining capacity of the central government in redistributing budgetary funds between regions inevitably revives competition between localities (Goetz and Clarke, 1993). On March 2, 2003, a report on the competitiveness of Chinese cities was published by China Academy of Social Sciences, which ranked cities according to their achievements in sciences and technologies, economic growth rates, etc. Hong Kong was ranked the first, followed by Shanghai and Shenzhen (http://finance.sina.com.cn/g/20030303/0751316063.shtml, assessed on 16 July, 2003). Seeing Guangzhou ranked sixth, behind Shenzhen in the same province, the mayor of Guangzhou complained and doubted if the ranking was fairly done (http://news.sina.com.cn/c/2003-03-09/1402939281.shtml, assessed on 16 July, 2003). After Beijing had won the 2008 Olympic Games, and Shanghai 2010 Expo, Guangzhou felt left behind these competitors and decided to bid for 2010 Asian Games. It has won the bidding.
of most urban economic organizations, it is a great challenge for the local government to take a leading role in local economic development, while the urban economy is market-driven to a large extent and economic organizations are autonomous. What the local developmental state can command is the state-owned land assets within its territorial jurisdiction, riding on the land reform which has been carried out as an important component of the economic reforms. Public land leasing replaces free land allocation which was practiced as a socialist doctrine during the period between 1949 and 1988, and state-owned urban land is restored as an economic asset to the owner. Market-driven land and property development respond promptly to the price signals derived from interactions between demand and supply. Land assets have become a substantial source of local revenues. Consequently, land use planning becomes a tool of local governments for resource mobilization.

2.4 Pro-growth planning: China’s response to rapid urbanization during transition

Urban planning is an effective tool of maintaining spatial order in the physical environment, coordinating economic development with an orderly structure of land uses which contain sufficient public and merit goods, and managing landed-interests of diverse urban communities. But urban planning is not able to shape new physical landscape according to pre-set goals and socioeconomic policies without a capacity of mobilizing economic resources and social support. In the context of globalization and consequent fierce competition for wealth creation, cities, whether in developed or in developing countries, are expected to lead their nations to fight the battle for prosperity. Competitiveness and economic growth become the central themes. “The language of welfare has been replaced by the language of growth, …… in urban areas” (Cochrane, 1991: 298). Cities of the developing countries, nevertheless, have no choices other than promoting economic growth. In those cities where public policies intend to participate in the “game”, not letting the “invisible hand” dominate the competition, two questions remain outstanding. What is the link between urban planning and local growth? How can urban planning be made a tool for active pursuit of local development? China’s pro-growth urban planning has been evolving in the contexts of great transformation, preference for economic growth, and transition of socialist land rights towards a system in favor of market competition.

From the property rights perspective, the land reform has brought about changes in land rights. Property rights are primarily a bundle of rights associated with ownership which consists of the right to use an asset, the right to derive income from it, the right to change its form and substance, and the right to alienate the rights mentioned above to another party at a price mutually agreed upon (Pejovich, 1990). The system of property rights is concerned with economic efficiency and distributive justice, which places limits on the actions of individuals and governments (Paul, Miller & Paul, 1994). The subject of land transactions is not land per se but essentially interests in rights over the land. Determined by social norms as constraints to shape human interactions, property rights are deemed essential in the governance of land markets (Fischel, 1985; North, 1990; Webster and Lai, 2003). Land use planning and development control are essential components of land
rights by stipulating land uses and prescribing conditions for land development. The land rights regime, to a large extent, determines the mode of land development.

Land use planning which manipulates rights over land use and development is logically marshaled by the local developmental state as a means of promoting local growth. As an institution, land use planning is transforming itself from a tool of the central economic planning to an instrument regulated by property rights for the management of market-driven land development. The old informal socialist institution – users’ land use rights which allow urban land to be held by its users without any rental payment – is dealt with in order to tackle rigidity in land resource reallocation which has constituted an immediate obstacle to the initiation of urban land markets. The land development right – a new institution – is granted to existing land users to unlock the redevelopment process hampered by the socialist legacy of land use rights (Zhu, 2004).

In view of the great potential of progressive urbanization and upcoming urban physical change, China’s local governments take on urban planning as a strategic tool for growth promotion. Planning a visionary urban structure for the future seems closely connected with depicting an economic prospect for the city. Unprecedented rapid urbanization and economic growth driven by the exogenous globalized investments and endogenous fast industrialization as well as real estate development provide a historical opportunity for mayors to have their visionary urban plans accomplished within their tenures. Under the new land rights regime, urban planning is able to mobilize land resources and social support by prescribing highest and best uses to both rural and urban land on the one hand. On the other hand, development control, which defines land development rights, is given sufficient leeway for flexibility in order to be responsive to capricious market change. Because of gradualism adopted due to political constraints, a pragmatic approach of trial and error prevails in the implementation of new initiatives. Market circumstances are hardly predictable for two reasons: rapid change and the land market in the making. Planning in its conventional mode is passive, and tends to align itself with the status quo interests. Pro-growth urban planning intends to be in favor of progressive new interests, responsive to market changes and conducive to local growth in the context of rapid urbanization and economic transition.

3. Rapid urbanization with an emerging land market

Urbanization was suppressed during the centrally-controlled period 1949 – 1978, as the leadership tried “to achieve industrialization without a high level of urbanization” (Ma, 1981: 2). Urban population accounted for 12.5 percent of the total population in 1950; it rose merely to 19.4 percent in 1980. The planned economy was based on the Marxist economic theory which believed in that “commodity-money relationships would disappear together with the private ownership of means of production, and that they would no longer exist in a new socialist society” (Sik, 1967:15-16). The state ownership of means of production became a cornerstone of the ideology. Top-down control mechanisms for resource allocation were installed, assisted by the nationalization of land, property and other means of production. Since 1978, China has experienced a drastic
transformation of its cities in the course of economic change. Rapid urbanization has ensued. Within 18 years, 250 million people were urbanized (see Table 1). Cities, especially those in the coastal region, have been seeing dynamic physical expansion (see Tables 2 and 3).

**Table 1: Urbanization and increase of urban population**

<table>
<thead>
<tr>
<th>Year</th>
<th>Urbanization level (urban pop. as % of total)</th>
<th>net increase of urban population (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>12.5</td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>19.4</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>36.2</td>
<td></td>
</tr>
</tbody>
</table>

Sources: NBSC, 1999c; Shen, 2005

**Table 2: Urban physical expansion in regions**

<table>
<thead>
<tr>
<th>Year</th>
<th>Urban built-up area, sq km</th>
<th>Urban built-up area as % of the total area</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>Mainland China 7,438.0</td>
<td>0.77</td>
</tr>
<tr>
<td></td>
<td>East Region</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Central Region</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>West Region</td>
<td>-</td>
</tr>
<tr>
<td>1986</td>
<td>Mainland China 10,127.3</td>
<td>1.05</td>
</tr>
<tr>
<td></td>
<td>East Region</td>
<td>3.38</td>
</tr>
<tr>
<td></td>
<td>Central Region</td>
<td>1.46</td>
</tr>
<tr>
<td></td>
<td>West Region</td>
<td>0.30</td>
</tr>
<tr>
<td>1991</td>
<td>Mainland China 14,011.1</td>
<td>1.46</td>
</tr>
<tr>
<td></td>
<td>East Region</td>
<td>4.77</td>
</tr>
<tr>
<td></td>
<td>Central Region</td>
<td>2.02</td>
</tr>
<tr>
<td></td>
<td>West Region</td>
<td>0.39</td>
</tr>
<tr>
<td>1996</td>
<td>Mainland China 20,214.2</td>
<td>2.11</td>
</tr>
<tr>
<td></td>
<td>East Region</td>
<td>7.93</td>
</tr>
<tr>
<td></td>
<td>Central Region</td>
<td>2.49</td>
</tr>
<tr>
<td></td>
<td>West Region</td>
<td>0.54</td>
</tr>
<tr>
<td>2000</td>
<td>Mainland China 24,026.6</td>
<td>2.50</td>
</tr>
<tr>
<td></td>
<td>East Region</td>
<td>9.22</td>
</tr>
<tr>
<td></td>
<td>Central Region</td>
<td>2.94</td>
</tr>
<tr>
<td></td>
<td>West Region</td>
<td>0.69</td>
</tr>
</tbody>
</table>

Sources: NBSC, 1982b, 1987b, 1992b, 1997b, 2002b, 2005b

**Table 3: Expansion of urban built-up area (sq km, 1986 – 2004)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Tianjing</th>
<th>Nanjing</th>
<th>Chengdu</th>
<th>Hangzhou</th>
<th>Shenyang</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>282</td>
<td>121</td>
<td>87</td>
<td>61</td>
<td>164</td>
</tr>
<tr>
<td>1995</td>
<td>339</td>
<td>150</td>
<td>97</td>
<td>96</td>
<td>194</td>
</tr>
<tr>
<td>2004</td>
<td>487</td>
<td>447</td>
<td>386</td>
<td>275</td>
<td>261</td>
</tr>
</tbody>
</table>

Sources: NBSC, 1987b, 1996b, 2005b
Note: These five cities were out of the largest ten cities in 2004.

It took England and Wales 100 years (1801 – 1901) to have urbanization level increased by 44 percentage points (0.4 percentage points per annum), and West Europe 50 years (1950 – 2000) by 15 percentage points (0.3 percentage points per annum). While East Asia (excluding mainland China) took 50 years (1950 – 2000) to increase by 36 percentage points (0.7 percentage points per annum), during the period 1980 – 2004 China’s urbanization rose from 19.4 percent to 41.8 percent (0.9 percentage points per annum) (see Table 4). It has been a recognized phenomenon that late developers tend to
have faster growth rates than early developers in urbanization (Davis and Golden, 1954; Zelinsky, 1971). China is in times of rapid urbanization.

Table 4: Estimated urbanization level (urban population as percentage of the total) in China, East Asia and West Europe (1950 – 2000); and in England and Wales (1650 – 1951)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Mainland China</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>12.5</td>
<td>19.8</td>
<td>17.4</td>
<td>19.4</td>
<td>26.4</td>
<td>36.2</td>
<td>41.8</td>
</tr>
<tr>
<td>East Asia (excluding mainland China)</td>
<td>33.1</td>
<td>41.0</td>
<td>51.6</td>
<td>59.6</td>
<td>66.0</td>
<td>69.1</td>
<td>--</td>
</tr>
<tr>
<td>West Europe</td>
<td>65.3</td>
<td>69.7</td>
<td>74.3</td>
<td>76.6</td>
<td>78.6</td>
<td>80.5</td>
<td>--</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>1650</th>
<th>1750</th>
<th>1800</th>
<th>1801</th>
<th>1901</th>
<th>1951</th>
</tr>
</thead>
<tbody>
<tr>
<td>England and Wales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>8.8</td>
<td>16.7</td>
<td>20.3</td>
<td>33.8</td>
<td>78.0</td>
<td>80.8</td>
</tr>
</tbody>
</table>

Sources: 1. NBSC (2005a); 2. United Nations (2004); East Asia includes China (inclusive of Taiwan, Hong Kong and Macao), North Korea, South Korea, Japan and Mongolia; 3. United Nations (2004); West Europe is composed of Austria, Belgium, France, Germany, Liechtenstein, Luxembourg, Monaco, Netherlands and Switzerland; 4. de Vries (1984: 39) for data (1650 – 1800), urban population of all cities with at least 10,000 inhabitants; Law (1967) for data (1801 – 1901); and Champion (1975) for 1951 data.

Rapid urbanization has been driven by two engines of industrialization and real estate development. Drastic urban changes in the coastal cities are also accounted for by the released enormous pent-up demand for urban space which was suppressed by the previous policy of “industrialization without urbanization”. Shanghai is the case in illustration. The land and property development at such a substantial scale since 1980, particularly since 1990, could be attributed to the fact that the city was severely underinvested during 1950 – 1980 (see Table 5). Housing commoditization puts the end to urban housing provision being the sole responsibility of the state. Housing reforms have effectively privatized the existing housing stock on the one hand, and commercialized housing development accounts for the new supply on the other hand. The case of housing supply in Shanghai from 1982 to 2004 demonstrates how fundamental the housing provision mode has been changed: considerable amount of capital flowing into private housing and withdrawal of the state from the housing provision (see Tables 5 and 6).5

5 It should be considered as a significant change in China which still regards itself a socialist country. In the nominally capitalist country Britain, one in five housing units were public and social rental housing in England and Wales, according to its 2001 population census. The share of public housing in the housing stock of Scotland was 26 percent in 2004, declining from 38 percent a decade earlier.
Table 5: Economic and physical growths of Shanghai (1950 – 2004)

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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (¥billion)</td>
<td>2.2</td>
<td>31.2</td>
<td>75.6</td>
<td>745.0</td>
<td>29.0</td>
<td>44.4</td>
<td>669.4</td>
</tr>
<tr>
<td>Population (million)</td>
<td>4.6</td>
<td>7.0</td>
<td>8.6</td>
<td>11.0</td>
<td>2.4</td>
<td>1.6</td>
<td>2.4</td>
</tr>
<tr>
<td>Housing stock (million sqm)</td>
<td>23.6</td>
<td>44.0</td>
<td>89.0</td>
<td>352.1</td>
<td>20.4</td>
<td>45.0</td>
<td>263.1</td>
</tr>
<tr>
<td>Office stock (million sqm)</td>
<td>2.3</td>
<td>3.4</td>
<td>6.0</td>
<td>40.1</td>
<td>1.1</td>
<td>2.6</td>
<td>34.1</td>
</tr>
<tr>
<td>Shop stock (million sqm)</td>
<td>3.3</td>
<td>2.4</td>
<td>4.0</td>
<td>28.6</td>
<td>-0.9</td>
<td>1.6</td>
<td>24.6</td>
</tr>
<tr>
<td>Period</td>
<td>Investment in fixed assets as % of GDP</td>
<td>Investment in housing as % of GDP</td>
<td>Housing supply (million sq m)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1953-1978</td>
<td>8.6</td>
<td>0.4</td>
<td>17.56</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1981-2004</td>
<td>44.6</td>
<td>10.5</td>
<td>269.02</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SMBS, 2005a

Table 6: Housing provision in Shanghai (1982 – 2004)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>public housing</th>
<th>as % of total</th>
<th>commodity housing (private)</th>
<th>as % of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982-83</td>
<td>7456.1</td>
<td>7456.1</td>
<td>100.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>1984-87</td>
<td>17750.5</td>
<td>17361.4</td>
<td>97.8</td>
<td>389.1</td>
<td>2.2</td>
</tr>
<tr>
<td>1988-91</td>
<td>16755.1</td>
<td>14065.3</td>
<td>83.9</td>
<td>2689.8</td>
<td>16.1</td>
</tr>
<tr>
<td>1992-95</td>
<td>32050.2</td>
<td>21059.2</td>
<td>65.7</td>
<td>10991.0</td>
<td>34.3</td>
</tr>
<tr>
<td>1996-99</td>
<td>62294.2</td>
<td>15897.5</td>
<td>25.5</td>
<td>46396.7</td>
<td>74.5</td>
</tr>
<tr>
<td>2000-04</td>
<td>108996.4</td>
<td>10631.3</td>
<td>9.8</td>
<td>98365.1</td>
<td>90.2</td>
</tr>
</tbody>
</table>


4. China’s Pro-growth urban planning

4.1 Land use planning – promotion and mobilization

Rapid industrialization and economic growth, influx of migrants to cities, and zeal of the local developmental state for urban growth in particular have constituted tremendous challenges to an urban planning system molded under the centrally-controlled economy. Blue-print plans based on top-down economic projection clearly could not cope with market-oriented urban development. Unpredictable market changes made plans irrelevant and useless often within a few years of their existence. Although the nominally statutory land use master plan was updated periodically to reflect current situations, the role of its guidance for urban physical growth was seriously in doubt.

According to the Urban Planning Act (1989), the Master Plan is statutorily required for urban land development. The Master Plan formulates city’s spatial structure of land uses with due consideration for environmental capacities and infrastructural provision. Its goal is to create a sustainable environment with balanced economic and social development. Nevertheless, neither does it show positive guidance towards achievement of the planning objectives, nor does it have flexibility in accommodating unexpected socioeconomic changes.
changes. Its regulatory character does not help to accomplish ambitious agendas of the local developmental state.

The strategic concept plan, a non-statutorily required plan, emerged spontaneously initially from the cities experiencing rapid urbanization to envision urban physical expansion to the future. Dynamic growth of urban economies needs a spatial structure to coordinate numerous private housing estates, industrial zones, shopping centers and other land development activities initiated by developers whose number has mushroomed since the 1990s. The strategic concept plan serves the local developmental state in advancing growth led by urbanization on the one hand. It is reported that about fifty-odd cities had built new university districts ⁶ by 2005 (http://www.landscape.cn/news/html/news/detail.asp?id=29730, accessed on 11 July 2006); thirty-six cities were pursuing new central business districts in 2003, instead of consolidating the existing city centers (http://news.soufun.com/2003-04-16/150448.htm, accessed on 11 July 2006); and there were 3,837 industrial development zones in 2003, occupying 36,000 sq km of land in total nationwide (http://www.people.com.cn/GB/14857/22238/28463/28464/2015058.html, accessed on 21 June 2004). ⁷ On the other hand, the strategic concept plan enables the municipal government to appropriate land resources and thus to expand local revenue sources.

Local funding is becoming increasingly critical to the local growth because of decentralization.

In the newly initiated urban land market, land use planning has unimpeded rights to prescribe land use (zoning and rezoning), as urban land is owned by the state, and the landed-interests are not established yet as property rights of existing land users are not unambiguously and legally defined. Though agricultural land is collectively owned by the rural community, the right to develop rural land for urban uses is owned by the urban state exclusively. Zoning and rezoning unimpeded by status quo interests are able to make land available for highest and best uses. Because of the city-centered land management system, the local municipal government is in the best position as the agent of the state to capture the land rent ⁸ generated from rezoning for higher and better uses. Since the 1988 land reform, land leasing has been a major source of municipal revenues. Land use planning therefore becomes a two-prong pro-growth instrument: making land available for urban development/redevelopment and mobilizing land revenues to be used

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⁶ The university district is a sizable zone in the urban periphery where a cluster of universities and student accommodation facilities is located. These universities were scattered in the central area cramped for space.

⁷ Those large-scale urban expansion projects are deemed out of proportion compared with the actual demands. In 2003, there were 174 cities with a population exceeding one million; 33 cities with a population over two million (NBSC, 2005b). New CBDs and university districts are only justified for those large cities with millions of population. The amount of land 36,000 sq km occupied by 3,837 newly planned industrial development zones even exceeds the total existing urban built-up area of 30,406 sq km in the country (2004) (NBSC, 2005b).

⁸ Land rent is the value of land appropriated in economic transactions, for the market price of land is interpreted as capitalized land rent. The rent of a land plot is largely determined by its designated use (agricultural, residential, commercial and so on) by zoning and the equilibrium of demand for and supply of land as commodity. The potential land rent represents the amount of rent that can be capitalized under the land’s “highest and best use”. The gap between the potential land rent and actual land rent capitalized under the present land use creates the land rent difference (Smith, 1979).
for the improvement of infrastructure and amenities. As a result, government-led investment in urban infrastructure has escalated since the 1990s (see Table 7; Shanghai and Guangzhou are cited as examples for data are available).

Table 7: Investment in urban infrastructure and as percentage of city GDP, Shanghai and Guangzhou

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>¥billion</td>
<td>% of GDP</td>
<td>¥billion</td>
<td>% of GDP</td>
</tr>
<tr>
<td>Shanghai</td>
<td>6.0</td>
<td>1.7</td>
<td>25.0</td>
<td>4.5</td>
</tr>
<tr>
<td>Guangzhou</td>
<td>-</td>
<td>-</td>
<td>3.1</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Sources: SMBS, 2005a; GMBS, 2005

Three city cases, Zhuhai, Nanchang and Jing’an in Shanghai, are cited herewith to illustrate the practice of pro-growth urban planning (see Figure 1). Zhuhai is one of the first two special economic zones set up in the Pearl Delta Region in 1979. A great amount of industrial investments, attracted by the favorable policies, drove the economic development, and the city expanded significantly in its sizes measured by population, GDP and city built-up area, from 19,000, ¥260 millions and 2.0 sq km (1980) to 501,000, ¥4,140 millions and 40.2 sq km (1990), respectively. Not satisfied with the achievements, the Mayor had the municipal planning department prepared a strategic concept plan in 1990 for Zhuhai’s urbanization of the next stage (see Figure 2).

Figure 1: Locations of three city cases
Several new districts were proposed. Following the plan, the government made great efforts to push the city towards the north and west. Two expressways were built to link the central area with the west region. Construction of two mega projects, Zhuhai Port and Zhuhai Airport, were initiated in the early 1990s solely sponsored by the Zhuhai municipal government. In spite of knowledge that there would be four other international airports in the Pearl Delta Region (Hong Kong, Macau, Shenzhen and Guangzhou), the Mayor was determined to have an international airport for Zhuhai itself. The airport has been in operation since 1995 after a hefty spending on construction at ¥6 billion. Five major industrial zones and a science park were developed to attract industrial investment. A university district was founded with land offered free of charge to renowned universities to set up their campuses in Zhuhai which had not had any tertiary institutions by then (see Figure 3). During the period 1990 – 1998, Zhuhai grew from 40.2 square kilometers to 83.9 square kilometers (see Figures 4 and 5). 8,250 hectares of agricultural land were acquired, of which 4,370 hectares were developed, and the rest (3,880 hectares) were leased to and remained with the developers. By 2005, Zhuhai’s built-up area expanded to 176.1 square kilometers, and 106.6 square kilometers of rural land were acquired in the last 15 years. The land rent captured from land acquisition was largely used to finance development of infrastructures and public projects.
Figure 3: Major projects developed

Figure 4: Zhuhai’s built-up area in 1990
Nanchang, one of second-tier cities in the interior region, drafted a grand strategic plan to develop a new town as big as its existing old town across the River Gan in the middle 1990s (see Figure 6). It plans to make two towns one entity with the 1,000-meter-wide River Gan running in between. New Nanchang airport, Bayi Bridge (the second bridge crossing the River Gan) and the industrial zone were built in the late 1990s. In order to demonstrate its commitment, the municipal government and other key government departments relocated their offices to the other side of the river to form a new civic center in 2001, followed by the construction of new university district in 2003. A more ambitious scheme is to make a new CBD in the new territory, which has to rely on the market forces. It is yet to be seen whether the government-led new town development will stimulate market investments. For the purpose of inducing market responses, government-affiliated developers have been building a leisure complex containing a golf-course, five-star hotels, business centers and an international school next to the site of proposed new CBD since 2003 (see Figure 7). As a publicity campaign, Nanchang government built the world highest Ferris wheel at 160 meters named the Star of Nanchang in 2006 on the River Gan. The city marketing strategy has seemingly worked. It caught the attention of magazine Newsweek and it put the city as one of the ten most dynamic cities in the world, along with London, Munich, Las Vegas and Moscow (Newsweek, July 3-10, 2006). 4,856 hectares of agricultural land have been acquired for the new town program, and 3,080 hectares leased to developers and users by now. The land rent captured is a main source of funding for the development of infrastructure and public amenities.
Figure 6: The proposal of new town development

Figure 7: Major projects built in the late 1990s and early 2000s
Sensational media reports claimed that Shanghai was the world’s largest construction site in the 1990s (The Straits Times, 15 January 1998). It was probably not an exaggeration. Between 1993 and 2000, building construction and demolition in the whole city of Shanghai were undertaken at an unprecedented scale: 131.2 million square meters constructed and 30.5 million square meters demolished (SMBS, 1994b–2001b). In all, 17.7 per cent of the total building stock of 172.6 million square meters that had existed in Shanghai municipality by 1990 was demolished during the 1993–2000 period. During the same period in its Jing’an District, 4.81 million square meters of building floor area were constructed, while 2.49 million square meters of old structures were demolished (SMBS, 1994b–2001b). The total building stock by 1990 was 9.08 million square meters (SMBS, 1991b). This suggests that a quarter of the stock was demolished and 53 per cent more was added during the period. A survey by the author reveals that during the period 1992–2000, land redevelopment carried out amounted to 237 projects on sites adding up to a total area of 135.7 hectares, accounting for 17.8 percent of the total area of the district (762 hectares). In 135.7 hectares, there were 88.5 hectares (65.2 percent) residential land; 11.5 hectares (8.5 percent) institutional land and 35.7 hectares (26.3 percent) industrial land (see Figure 8). A substantial amount of land areas are made available to be redeveloped for higher and better uses, which has transformed the district significantly.

**Figure 8: Land redevelopment projects in Jing’an District, Shanghai, 1992 – 2000**
City governments have to increasingly rely on local funding because of decentralization. Decentralization has also diminished the desire for regional cooperation, and resulted in competition among cities in the region. In rapidly growing regions, a city has to compete with others in order to maintain the position or to move upward in a new regional hierarchy under restructuring. For instance, cities in one of the most dynamic regions – the Pearl Delta Region – saw their positions moving up and down during the period 1990 – 2003. Shenzhen and Dongguan rose significantly, while Guangzhou, Jiangmen and Zhaoqin declined relatively (See Figure 9 and Table 8). Strategic concept plans provide visions which enable the local developmental state to marshal social support. The gist of the strategic concept plan is often represented by a succinct slogan which is easily understood by the general public. Guangzhou simply puts the aim of its future as “small change in a year, moderate change in three years, and great change in five years”. Zhuhai proposes that the city should have “large ports, great industries and grand development”. Shenyang declares that “Shenyang in the north as Guangzhou in the south”, with connotations that Shenyang should be as dynamic and prosperous as Guangzhou. The Shanghai Urban Planning Exhibition Hall, the first in the country, has attracted many citizens to view its exhibits of achievements and visionary developments in the future. It has aroused civic pride and inspirations among local residents. Though not every resident benefits from substantial urban change, the majority and new comers should have their welfare linked with the growth and expansion. The government earns its legitimacy by garnering social support. Taking it as a good city marketing project, many other cities have followed suit.

9 A report on the competitiveness of Chinese cities was published by China Academy of Social Sciences in 2003, which ranked cities according to their achievements in sciences and technologies, economic growth rates, etc. Hong Kong was ranked the first, followed by Shanghai and Shenzhen (http://finance.sina.com.cn/g/20030303/0751316063.shtml, assessed on 16 July, 2003). Seeing Guangzhou ranked sixth, behind Shenzhen in the same province, the mayor of Guangzhou complained and doubted if the ranking was fairly done (http://news.sina.com.cn/c/2003-03-09/1402939281.shtml, assessed on 16 July, 2003). After Beijing had won the 2008 Olympic Games, and Shanghai 2010 Expo, Guangzhou felt left behind these competitors and decided to bid for 2010 Asian Games. It has won the bidding. The saga has become a classic of city rivalries. Since 2003, a survey team of National Bureau of Statistics has been publishing annually the league of top 100 the most competitive Chinese cities. The competitiveness is measured mostly by its economic strength and social development. In the “Competitiveness of China’s Cities 2004” blue paper published by China Academy of Social Sciences, Zhengzhou, a provincial capital in the central region, was ranked in the 50th position. In 2006, the same blue paper “Competitiveness of China’s Cities 2005” ranked Zhengzhou at the 37th position. The progress in ranking was much celebrated by the city (http://www.zhengzhou.org.cn/phpweb/ShowContent.php?aid=48669&tid=2; accessed on 4 April 2006).
Table 8: City’s GDP as a percentage of the city grouping in Pearl Delta Region

<table>
<thead>
<tr>
<th>City in Pearl Delta</th>
<th>1990</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guangzhou</td>
<td>33.1</td>
<td>30.4</td>
</tr>
<tr>
<td>Shenzhen</td>
<td>14.1</td>
<td>25.2</td>
</tr>
<tr>
<td>Zhuhai</td>
<td>4.3</td>
<td>4.1</td>
</tr>
<tr>
<td>Foshan</td>
<td>13.0</td>
<td>12.0</td>
</tr>
<tr>
<td>Jiangmen</td>
<td>9.7</td>
<td>6.4</td>
</tr>
<tr>
<td>Dongguan</td>
<td>6.7</td>
<td>8.3</td>
</tr>
<tr>
<td>Zhongshan</td>
<td>4.5</td>
<td>4.4</td>
</tr>
<tr>
<td>Huizhou</td>
<td>5.1</td>
<td>5.1</td>
</tr>
<tr>
<td>Zhaoqin</td>
<td>9.6</td>
<td>4.1</td>
</tr>
<tr>
<td>Total (¥billion)</td>
<td>96.5</td>
<td>1148.4</td>
</tr>
</tbody>
</table>

Source: NBSC, 2004b; 1991b

Figure 9: Nine cities in the Pearl Delta city region
4.2 Development control – responsive to market change

A new development control system has been established by the Urban Planning Act (1989). It stipulates that prior permissions are required for land and building developments. Development applications are evaluated by the planning authority against the urban land use plans. Thereafter, a Land Use Planning Note will be issued with land use planning parameters attached such as land use, plot ratio, site coverage and building height. When all the formalities for land transaction are cleared and land site details finalized, a Land Development Permit is issued. With the permit, the developer can proceed to commission architects to design the building. After examination of the building designs by the planning bureau, a Building Permit is granted and the project can proceed to the construction stage. This process of development control is the so-called one-note-and-two-permits system.

However, empirical investigations reveal that planning authorities have much flexibility in the handling of development projects, and thus the development control is highly discretionary without necessary transparency. While inward investments are keenly pursued by the local developmental state, cajoling developers into committing their investments in the city, instead of in the other city, usually results in the government yielding to developers’ short-term interests. To accommodate developers’ requests in their land development proposals seems more important than to abide by pre-determined land use particulars set by the urban master plan. Zhu (2004) has elaborated through a case study of Shanghai’s redevelopment that discrepancies are overwhelming up to 53 percent of cases between what are required by the land use plans and the final completed projects in terms of the planning parameters of land use, plot ratio, site coverage, and building height.

State regulatory intervention in the land market is well recognized as necessary in order to deal with market failures such as externalities and underproduction of collective goods. Those market failures are more or less caused by uncertainty in the market, while coercive development control provides the land market with certainty and order which are essential for maintaining market confidence (Pigou, 1932; Nelson, 1977; Brabant, 1991; Lai, 1999). Certainty and order are essentially related with stability of the status quo interests. The dilemma the China’s local developmental state faces is that uncertainty is imbedded in the gradual transition when the market-oriented economy is evolving and market mechanisms are in the making. Likewise, the land development market is in a continual flux, and uncertainty is the norm. Thus, the priority of land use plans during the gradual transition is to be responsive to market changes. Flexibility, instead of rigidity, is one of the properties the land use plans should possess.

Seemingly a philosophy is imbedded in the development control practice that if planning cannot lead the market, planning should follow the market. The flexible development control regime suits the needs of the local developmental state to unconditionally pursue economic growth. This highly discretionary tool is inherited from the previous centrally-controlled economy between 1949 and 1979 which did not need an independent mechanism serving as a medium between the state and the market. The development
control is used as a mechanism by which the local developmental state negotiates with developers for the purpose of urban growth (Zhu, 1999a; 1999b).

A case of formation of Shanghai office centers is a good illustration of planning being led by market-driven development. According to the strategic plan drafted in the late 1980s, Jing’an and Huanhai Road were not designated as office centers (see Figure 10). Nevertheless, these two office centers had emerged by the late 1990s (see Figure 11). Out of four prime office centers in the early 2000s, two (Hongqiao and Lujiazui) were planned and the other two (Jian’an and Huaihai Road) were initiated and built jointly by local district governments and largely private developers. The latter two are rated by real estate agents and perceived by office users as of better quality than the former two, which suggests that market-led development with flexible planning control is not without any merits in this specific circumstance. The development of 9-million-square-feet Huaihai Road office center without orchestration at municipal level manifests the capacity of pro-growth local developmental state and unleashed market forces (Zhu, Sim and Zhang, 2006; see Figure 12). This case of market-oriented planning process is not an exception. Instead, it has become a commonplace in nowadays China’s cities. Reflecting the merits of market initiatives, Huaihai Road office center is a successful redevelopment project which has produced a well-known showcase Xintiandi and benefited many stakeholders — local communities; local and municipal governments; developers; customers and tourists (He and Wu, 2005; The Economist, September 25, 2004, p.76).

Figure 10: Shanghai’s strategic planning in the 1980s

Source: Huang, 1991, p. 92
Figure 11: Four prime office centers in Shanghai central city

Note: H – Hongjiao; L – Huaihai Road; J – Jing’an; P – Lujiazui

Figure 12: Huaihai Road Office Center

Note: Skyscrapers in the background are the office buildings developed in the 1990s along the street Huaihai Road where low-rise structures used to dominate as those in the foreground.
5. Conclusion

Urban planning advancing economic growth is not an isolated issue only concerned by a developing China. It is interesting to find that the issue is also debated in developed countries. Focusing on the link between urban planning and economic growth, an independent review of British land use planning is under way. In the context of intensified competition caused by globalization, the review intends to find ways of making land use planning deliver economic growth without compromising social equity and environmental sustainability (Barker, 2006). The interim report of Barker Review highlights that delays in development control, certainty to the market, planning responsiveness to social and economic change, as well as to equilibrium of market demand and supply are at issue.

The Chinese economy has performed spectacularly since 1978 when the reforms started, growing at an average rate of 9.4 percent annually between 1978 and 2004 in GDP, and the size of the economy in 2004 was 10 times of that in 1978 (NBSC, 2005a). Although this economic miracle is largely attributed to the rapid industrialization and globalization which are driven by decentralized business activities responsive to equilibrium of demand and supply, the land use planning system, providing the right site at the right place to the right user, cannot be ignored as one of the important contributing factors (Zhu, 2005). Rapid economic growth cannot be achieved without a conducive urban planning system.

Nevertheless, China’s pro-growth urban planning is not sustainable over a long term. It is transitional paradigm. Ambitious spatial structuring as a forward-looking vision does have a marketing effect to the business community, but it alone does not necessarily stimulate market investment. Power of leverage by the public investment in land and infrastructure is more determined by market fundamentals than by government ambitions, evidenced by the diminishing “leverage ratio” from dynamic to marginal regions. Many new CBDs and industrial zones fail in attracting sufficient numbers of office and factory projects to make them standing on own their feet.

The flexible planning control regime as a crucial element of the pro-growth planning model offers substantial leeway to developers in the implementation of their real estate development projects to counter unpredictable circumstances arising from the capricious market. The flexibility in the planning control is not so unreasonable for the market emerging from the transitional economy is highly volatile and erratic without perceivable patterns to trace. However, too much flexibility compromises certainty in the land development market, which is harmful to market efficiency. The more harmful consequence is that, lacking the established rules for market transactions, the emerging land development market is hampered in its evolution towards maturity. Inadequate rules lead to chaos and disorder in coordination. There is a danger that the land market would become the commons where negative externalities are uncontrolled – a commonplace in developing cities.
Pro-growth China’s urban planning has been very responsive to market change. Responsiveness means making resources available for development and lowering transaction costs to businesses, which explains how China’s urban planning has facilitated the dramatic economic growth greatly. The quality of the economic development is questionable, nonetheless. Apart from responsiveness, urban planning as an institution is the rules of the “game” which is the market competition for urban physical change. In view of the fact that China’s urbanization has been carried out without the same tradition and foundation of market-based development control system as many developed economies do (such as British pre-1909 development control system), clear and firm rules for the land market need to be established, so that there could be rule-based fairness in the urban development. Rules are needed to install certainty to counter too much flexibility in the market. Long-term sustainable economic growth requires a regime of well-defined property rights and market order that provides certainty and internalization of externalities. In the context of a majority of China’s urban residents being property owners, well-defined property rights protect owners’ interests, and thus help to mitigate social and environmental woes.

The corporate-styled planning puts economic growth as its top priority. It intends to capture market opportunities in whatever means, which is inevitably at the expense of social equity and environmental quality. The latter are often marginalized in favor of the former. The economic growth achieved in this way is not socially and environmentally sustainable. Because the land policies favor the economically powerful, the socially least influential urban tenants and rural peasants are the ones who gain the least benefits from the urban growth. Twenty years into the economic reforms, the widening gap between the rich and the poor poses a threat to social stability. China’s Gini coefficient was 0.39 in 1999, according to official statistics. However, unofficial estimation points to 0.60 (The Economist, 2 June 2001: 33-4).

As elaborated, China’s pro-growth urban planning has bolstered a dynamic economy growing at nine percent every year for a quarter of century. However, excessive responsiveness to whimsical markets has achieved what is intended at the great expense of building a solid foundation for long-term sustainable growth. Transparent rules with clear land rights are essential for efficient economic growth, as well as for social equity and environmental protection to certain extent, in a market economy. If building rules and order only seems passive to an urban regime led by the local developmental state, though it is what China’s urban planning system needs to shore up, positive planning is

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10 There was a debate that the removal or streamlining of some planning controls will encourage entrepreneurs to expand their businesses. An explanation from the perspective of institutional economics is that streamlining of planning controls is meant to reduce the transaction cost from the total business costs. The other major business cost is the production cost which is increasingly declining owning to the technological innovations.

11 The first Republic of China was established in 1911 after the Qing Dynasty collapsed. It was followed by successive either civil wars or foreign invasions until 1949 when the People’s Republic of China was born. A centrally-controlled economic system was adopted immediately until 1978 when the economic reforms searching for a market-oriented economy commenced. Thus, China as a nation with a claimed 5,000 years’ civilization has never had its economy and society run fully based on market rules. The transition from the central planning to a market economy is underway.
achievable when planning is able to marshal resources for development (Adams, 1994). Through a development program of public and merit goods provision, public land ownership should allow city governments to engage leverage planning to achieve pro-growth planning goals (Brindley, Rydin and Stoker, 1996). Nevertheless, it poses a tall order challenge to the China’s local government which has to be both accountable and entrepreneurial. Market order has to be maintained by the government which at the same time is a market player. There are no successful precedents yet.

References:


