Land Property Rights and Urbanization in China*

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Abstract

Property rights have an incentive effect on the behaviours of economic agents. This paper proposes that the system of paying for the use of state-owned land has engendered a dualistic structure of land property rights in urban China, including full urban state-owned land property rights and limited rural collective land property rights. It argues that both market supply and planning acquisition offer incentives for governments to access land use residuals. In the context of fiscal decentralization, land rent residuals accelerate urbanization by...
encouraging urban and rural governments to extend and intensify land usage. The problem of *chengzhongcun* appears when rural institutions seek residuals. To improve the quality of China’s urbanization, Chinese government at various levels needs to improve the system of property rights through reforming rural collective property rights.

**Introduction**

China, the “Dragon of the Orient,” has become one of the largest economies in the world after just two decades of high-speed economic development. At the same time, an unprecedented restructuring accompanied by urbanization has been transforming Chinese society. The urban population of China in 1978 was less than 18%, but has now increased to about 40%. High-speed urbanization accompanied by a rapidly growing economy has been reshaping the landscape of Chinese cities. Within the wide literature in this field, numerous new phenomena have been reported. First, the high-speed expansion of urban land has been noted. Government-oriented new urban district construction, for instance, has been widely recorded. From provincial capital cities to small towns, and from inland regions to coastal areas, local governments have set up numerous development zones, such as Economic and Technological Development Zones (ETDZ) and High Technology Development Zones (HTDZ). Consequently, there were 2,700 development zones at the end of 1992 compared to only 117 in 1991. In addition, these new kinds of districts have different levels of judicial approval, from central government, province and city to town and county. Their sizes vary from a medium-sized city to a few parcels of land. In the twenty-first century, new district developments are replacing development zones and becoming the main pattern of urban construction. In order to attract investment, almost all levels of local government have invested heavily in these areas to provide public services and infrastructure.

Second, a high speed rural urbanization has become remarkable. After market reform, villages in developed regions such as the Pearl River Delta (PRD) and the Yangtze River Delta (YRD) developed increasing numbers of industrial enterprises in rural areas and thus their built-up areas expanded dramatically, in a process known as “bottom-up” urbanization. Rural industrialization became the major driving force behind such a pattern of urbanization. In this way, a new track of spontaneous urbanization opened up for rural residents. This has engendered