



Urbanization and Development in Asia

Speed and the Chinese Growth Machine

Cuz Potter
Professor
Division of International Studies
Korea University

- 1. Compressed modernity**
Problems of fast-city growth
- 2. Chinese growth machine**
- 3. KU overtime**



1. Compressed modernity

Compressed modernity

Compressed modernity: “civilizational condition in which economic, political, social and/or cultural changes occur in an extremely condensed manner with regard to both time and space, and in which the dynamic coexistence of mutually disparate historical and social elements leads to the construction and reconstruction of a highly complex and fluid social system”

Dimensions of compressed modernity

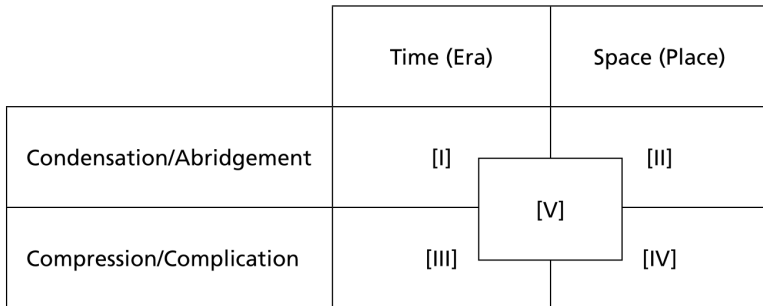
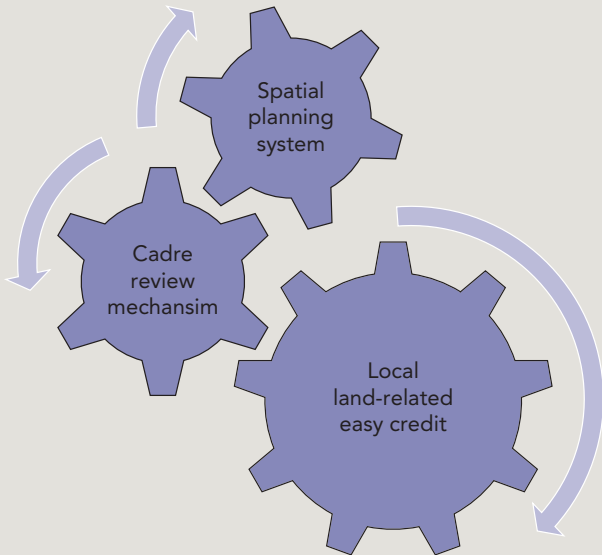


Figure 2.1 The five constitutive dimensions of compressed modernity

China's urban speed machine



Cadres' time: Communist party's personnel review system

- 1 local leaders have uncertain time in office
- 2 pressure to ascend rank by rank
- 3 given targets
- 4 → must produce positive performance results rapidly

Planning time: urban planning dominated by fragmented local states

- 1 power concentrated → growth-oriented projects ↑
- 2 planning dept weaker than economic development dept
 - 1 fewer resources to develop independent plans
 - 2 planning leader ∈ planning commission
 - 3 many planning consultants → demand for speed → fast policy → isomorphism
 - 4 fragmented bureaucracy → agency shopping → speed ↑

Financial time: financing system strongly politically influenced

- 1 local banks not insulated → easy, rapid financing
- 2 debt financing of projects = illegal → borrowing by special purpose urban development investment corporations (supported by transfer of assets [esp. land holdings] to these corporations)



Problems of fast-city growth

Trend chasing



trend chasing → redundant debt-financed public facilities → underutilized financial burdens



Speculation

land development → conversion of arable land to urban use + speculative property bubbles



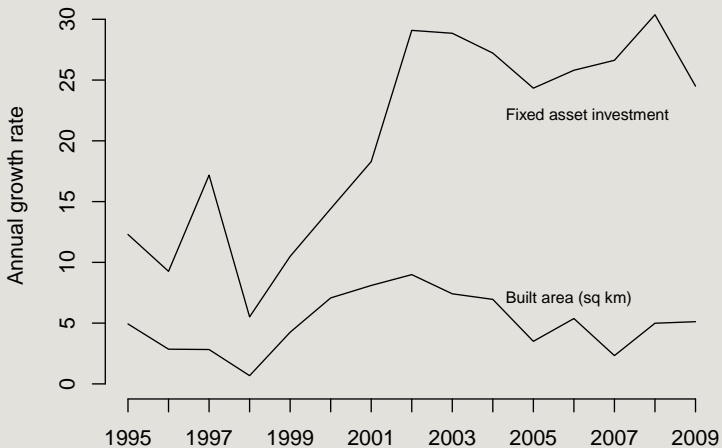
Speculation

land acquisition and compensation → conflicts



2. Chinese growth machine

Chinese urban growth





- 1 centralized collection and distribution of revenues
- 2 local governments = executive agents of the center

- 1 Fiscal responsibility system (*caizheng baoganzhi*)
- 2 → “whipping the fast running ox” (*bianda kuainiu*)
- 3 → local SOEs as corporatist market actors to conceal revenue

1994 tax assignment system (*fenshuizhi*)



- 1 redesigned revenue sources and sharing rates in favor of central government
- 2 established agencies for collecting central and shared taxes
- 3 five-year rate adjustment abolished

Effects of 1994 tax assignment system (*fenshuizhi*)



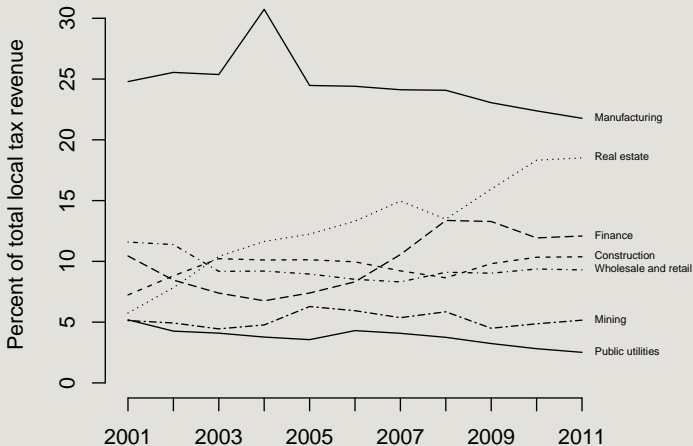
- 1 insolvent locally protected firms “released”
- 2 concealing revenue ineffective
- 3 unfunded mandates for local governments
- 4 → local budget revenues↓ << expenditures↑

Performance-based tax refund (1994?)



- 1 30% of incremental value collected from manufacturing-based VAT
- 2 similar scheme for EIT (levied on all enterprise profits) established 2002
- 3 EIT and VAT revenues \uparrow \rightarrow refunds \uparrow
- 4 \rightarrow reliance on growing market activity for budget revenues

Local tax revenue shares



1998 urban housing reforms



- 1 pre-1998 land use allocated by state fiat
- 2 post-1998 market-based housing provision

1998 urban land use reforms



- 1 leasehold scheme
- 2 “land conveyance income” → local governments

The situation

- 1 Local expenditures ↑
 - 2 Discretionary revenues rely on
 - 1 performance-based tax refunds (VAT and EIT)
 - 2 land conveyance income
 - 3 High housing demand
 - 4 Local government controls land supply
-

What do you (as the local government) do?

And what are the effects on the built environment?

Build



Build



What Chinese local governments did

- 1 control land available \rightarrow management of prices
- 2 density \uparrow \rightarrow prices \uparrow \rightarrow land conveyance
income \uparrow \rightarrow approval of higher **FAR** buildings
- 3 subsidize land use for manufacturing
investment

- 1 Compressed modernity → unrelenting hybridization
- 2 China's political system drives rapid urban development
- 3 Institutional arrangements (esp. taxation) pushed local governments in China to form growth machines.



3. KU overtime

Ghost cities video



<https://www.youtube.com/watch?v=yNJ0yQqgm4g>