Introduction

The urban transformation of China over the past few decades serves as an interesting study which provides manifold opportunities to understand the mechanism of the causes of regional and national economic development. China has been “growing at an average of almost 10% – three times the global average – since Deng Xiaoping became leader and started to introduce economic reforms. In dollar terms, its GDP has jumped from $147.3bn (£94.55bn) in 1978 to $4.9tn in 2009” (Weardan, 2010).

The bedrock of this growth came from the dynamic interactions and relations between local and central states; with the former playing the key role as development states (Whaites, 2008) to spearheading the national growth and the latter being the coordinator of local economic strategic development. Throughout the process, none is more potent in intensifying the growth than the urbanisation of cities. Once they were held as production centres, but now they are turned into consumption sites with global production functions (Sassen, 2001). “Cities have become engines of growth in China’s rapid rise in the global marketplace. Urban Chinese now hold 70 percent of the country’s wealth, command incomes that are three times the rural average, and generate much of the demand for new consumer goods coming on to the market.” (Wu and Gaubatz, 2012; 111).

This essay shall look at the different factors which transpires in the urbanisation process of China. Critically analysing Hsing’s work, this essay shall first give the historical context to the Maoist era and subsequent reforms bought about by Deng Xiaoping. Next this essay shall attempt at analysing five factors that is related to the changes in the contemporary urbanisation process. These are: Decentralisation, marketization, central-local relations, migration, and socioeconomic conditions. The question given us requires the analysis of the changes of urbanisation behaviour of local states’ in regards to the urban constriction project which has since evolved from becoming “an accumulation project to a territorial project of local state building” (Hsing 2010, p.6). The statement refers to the motivation for local states to accumulate capital and production base to one which is more driven by the need to develop their local states through place-based interest, driven by greater fiscal capacity and decision-making, as well as the changing role into becoming local corporatists (Oi, 1999) and state entrepreneurs (Duckett, 2006). This essay shall further dissect the statement to enhance our understanding of China’s contemporary urbanisation.
**Historical Context**

When Chairman Mao Zedong inaugurated the People’s Republic of China in 1949, he set out a path to produce an equal society. He abolished private property. All urban land was declared hence to be the “property of the state, while all rural land was the collective property of villages.” (Friedman 2005, 106). China was also closed up to the world, so as to pursue production-based development through rapid industrialisation and agriculture. Cities seen primarily as production centres with their pre-revolutionary consumption focus were severely curtailed (Cook, 2006) through anti-urban measures (Wu and Gaubatz, 2013; 29). Coastal cities such as Shanghai and Guangdong was ordered to be shut out from the world and made into production centres of industry. Additional anti-urban measures include the forced reallocation of millions from urban to rural areas or frontier regions. In total over 500 million people were mobilised “to produce the surpluses needed for investment in new state-owned industries (Friedman 2005, xiii). This mobility is called “up the mountains and down to the villages” (shangshan xiaxiang) (Bernstein 1978). This included Xi Xinping current President of China in his youth. Those mobilized also end up allocated in Danwei or Work-units. Their preoccupations were permanently set in production-based industries, such as in agriculture and steel production, where they would be given the ‘Iron Bowl’ or permanent lifelong jobs (Perry and Lu 1997). Their mobility was severely restricted to the territory they were assigned through Hukou or household registration and food rationing. It was only during Deng Xiaoping’s era of ‘open door’ reforms that cities started to take hold in the development process. Under the Deng period, the “Ladder-Step-Doctrine” was introduced, which saw the country was divided into three mega-regions: coastal, central, and western. Priority for development was given to coastal areas (Freedman 2005). He then introduced reforms that went on to revolutionise the urbanisation process and hence the Chinese economy. These include the increased decentralisation of responsibility and fiscal powers to local states, the marketization of Chinese cities, changes of local-central state relations, the relaxation of the Hukou migration system which resulted in the change of socioeconomic development. Understanding the historical context enables us to understand the contemporary urbanisation process of China. This essay shall analyse the five factors, beginning with decentralisation process to enhance our understanding of contemporary urbanisation process in China.
Decentralisation

Firstly, China’s decentralisation has intensified the urbanisation process. In the Maoist era, all decisions were controlled from the centre. All this started to change when Deng Xiaoping’s government made it state policy to decentralise the function of provinces through what he terms as ‘separate kitchen’ (Landry, 2008). Under the process, local states were “suddenly confronted with a whole range of new responsibilities, which they had to tackle with virtually no resources from the centre.” (Friedman 2005, xxiii). To mend this issues, the central government decentralise fiscal functions to local states. They now have the ability to raise its own revenue through leasing land rights of lands to which they became the de facto landlords (Shin, 2009). In the reform, “land can be leased, and when new industries, housing, airports, and ports need to be built, the hunger for land is very great. Second, collectively owned and profitable businesses can help defray cost of public undertakings. (Friedman 2005, xxiii) Two principal sources of finance for municipal development arising from these reform came to be “the sale of land use rights and the income from collectively owned businesses”. (Friedman 2005, 105) “This, together with subsequent fiscal reform by provinces, allowed many municipalise to retain higher rates of revenue and to allocate funding more freely….Under this arrangement participating provinces and municipalities were allotted a share of revenue. They retained all income collected in excess of this share” (Wu and Gaubatz, 2013; 183). Such decentralisation meant that local states have greater powers and resources to pursue their own path of development. While in the past all the decision-making and tax revenues were channelled to Beijing, now local states were able to maintain a certain level of autonomy as well as to generate revenue from land leasing (Yao, 2000). Combined with the additional autonomy and cash through land lease enables local states, such as Shenzen, to carry out reform experimentation based on local economic development, which end up hastening growth in the region. Such development varies across China. Such variation accompanied by marketization of Chinese local states are termed as variegated capitalism (Zheng and Peck, 2016)

In addition, “the establishment of the land lease system has strengthened the status of local government as the most powerful manager of state land. With this status, local
government have adopted pro-growth policies, to bolster their performances records and to increase revenue incomes” (Wu and Gaubatz, 2013; 201) Place-based interest intensified leading to greater policy innovation and development. Local states such as Guangzhou was so successful they were called ‘entrepreneurial states’ (Oi, 1999) and ‘development states’ (Duckett, 2006). The former refers to innovative states that is bent in building sustainable and profitable economies. The latter defined by Capella (1991) as states that uses economic development as a basis of legitimacy. Some of these entrepreneurial and developmental states built up ‘special economic zones’ to promote trade, investments, and growth. Some of these became extremely successful because and other states followed suit in applying them as place-based strategies (Barca and McCann, 2012). In addition, land leasehold has “commodified land which has created market-like competition for land rents. These users of state-owned urban land, as mentioned above, started to expand their use rights to the rights of transfer and profit, and sold their land use rights to developers of various kinds.” (Wu et al.; p169) We can see that decentralisation has intensified place-based interest development.

**Marketization**

Secondly, marketization of China has led to the transformation of cities through variegated capitalism (Zheng and Peck, 2016) and urbanisation. The main reform of Deng Xiaoping was to open up China to the rest of the world. The growth over the past three decades has been a testament to the success such a policy has garnered. Analysing the changes over the course of history, cities back then were seen as the embodiment of capitalism. Mao Zedong strictly closed cities such as Shanghai and Guangdong off from the rest of the world and made it production sites. But the opening up process in the 1970s by Deng has made cities like Shanghai to unleash their trading potential. It did not take long before cities to agglomerate and establish itself as production nodes in the regional and later global economy. Building on Sassen’s (2001) Global cities, Shanghai, Guangdong and the rest were able to claim its place in the new international division of labour through specialisations of industries and became in effect consumption sites of the Chinese economy. Coupled with greater decentralisation, which invariably leads to innovate policy making and fiscal capacities, has intensified the marketization (Wei, 2001) process of Chinese cities. Today
Shanghai specialises in trade, finance, and banking (Jun, 2001); while other cities such as Shuzou specializes in IT technologies (Lee, 2009). One of the strategic developments that led to these successes in the urbanisation or city development arise out of the land lease system. As part of their lease agreement, “real estate development companies that acquire the right to build are required to clear the site, level the land, and put in the appropriate infrastructure in support of their project” (Wong and Zhao 1999, p.155 cited in Friedman 2005, 106). The land lease system intensified development.

The marketization of cities has weakened Danwei, who are the de jure owners of lands (some of the very best pieces of real estates are owned by them) in cities. Danwei is a social system that provides a socialist-like system that collectively provide jobs for people. In Danwei “(s)mall apartments were to be provided at normal prices. Collective provisions would be made for basic health care and child care, as well as educational and recreational services.” (Friedman 2005, 102) Their powers have been reduced drastically because they are financed by local states. Entrepreneurial and development states have pulled out their financial support for the Danwei. Between 1990 and 1999, over 100 million people were retrenched (Solinger, 1999). Such measure has changed the entire state apparatus, of moving from an approach of providing welfare to people to making them self-reliant. Such Danweis meant they still play an important role in local economies because Danwei “occupied some of the very best quality land in the heart of cities. This came about because, motivated by the idea of city as production rather than consumption centre, the socialist planners allocated centrally located land to the industrial SOEs in the 1960s and 1970s (Chen and Willis 1999, p47 cited in Wu, 2002)”. For example in Beijing “5% of the total area of Beijing city hosted 55%n of SOE factories in the entire municipality (Dong and Sun 1998, cited in Wu et al. 1998). In Shanghai, ten bureaus (Danwei) in the industrial system controlled 28% of Shanghai’s land and became super land masters in Shanghai (Huang 1997: 31 cited from Hsing, 2006). So powerful were they Hsing (2006) calls them Alligator landlords. There are contestation between local states and Danwei in particular, in such that Danweis still control a large tract of lands in both rural and urban areas. Local states being eager to turn unprofitable leases – which is held by Danweis – motivated them to provide compensation to move onto another location. The politics generated out of this is immense. But it was not until the fateful year of August 2004
(Hsing, 2004) that local states finally have full control over the state land, leaving the Danwei ever more in a perilous position. Overall, the marketization of China due to the open door process has intensified city development through place-based interest development, notwithstanding the market-based pressure it puts to Danwei.

**Local-Central State Relations**

Third, in the process of urbanisation shows a sign of change in the local-central governmental relations. But the primacy of the central government takes hold over the affairs of national state building. The central state still "manages issues of vital national interest, such as political and social stability, socio-economic strategies, high technology, major infrastructure construction, key scientific and research institutes, universities, and crucial land admonition functions. Most social and economic responsibilities has been delegated to localities" (Wu et al, 2006: 120) State governments has also played a role in sometimes downplaying development in provincial cities. For instance, during the Beijing Olympics in 2008, Guangdong which holds the 2010 Asian Games were directed to downplay the event so as to not overshadow the Olympics (Wu, 2011). Secondly the central government ensures that the local government does not cause too much of a stir in local politics. The forcible removal of millions due to urban development by local states, as well as the increasing rates of domicile (Porteous and Smith, 2001) has sparked furore one too many times for the central government to simply ignore. To solve this issue, the central government has instructed local states to not only reduce its rapid development but to supply provision of social goods and services (Huang, 1999). While local governors or mayors may not agree with the idea, they have to follow it. Because for every province, there is the Communist Party Secretary who reigns supreme. To defy the party secretary is to invite trouble (Yang, 1996). So they have to act in concert to the central government’s directive. What the governors do have however is the power to realise his or her own vision through the resources, such as those attained by fiscal decentralisation. The other factor that the central government wishes to retain is the ability to carry out urbanisation process. It is a matter of national direction that the party wants China to urbanise its population by 2025. According to McKinsey (Woetzel, 2009) 2025, China will have 221 cities with one million-plus inhabitants. Such measures require respective provinces to prepare for such absorption. There are two
different ways for urbanisation according to Zhu: first is traditional urbanization sponsored by the government and second through spontaneous method driven by local economic development and market forces (Zhu, 1999). Such urbanisation process of rural people becoming urbanites is called *in situ* urbanisation (Zhu, 2000) Inequality and social divisions may also rise up in the process. But as Kuznets (1955) says that so long as the urbanisation rate is stable, inequality may rise up in the short-term but will fall in the long-run. The central government is also keen in its ‘Go West’ strategy which sees the gradual dispersion of economic activity from the east to the west. It would be strategic for both the nation and the private companies. The former would intensify what Morgan (2006) calls ‘territorial justice’ and to create even development across the country, whereas the latter would be able to secure cheaper cost of labour and resources as the cost rises due to heightened economic activity happening in the regions. There are massive problems in this urbanisation process, two of which is the natural typology of China. 67% of Western China is mountainous (Wu and Gaubatz, 2013; 12). Such typology can constraint economic activities. In this case “geography, matters as a causal factor in local and regional development. Territories evolve as defined areas in which particular definitions of local and regional development are constructed and pursued.” (Pike et. al 2006: p56) To address this issue the government has to carry out a major overhaul in the roads and transport system. This include an increased investments in infrastructure and strategic decisions being placed, as evident by major projects such as the “One Belt, One Road” policies (Rolland, 2015), policies meant to create connectivity across regions. Here we can see again that the central government plays a major role in the urbanisation process and guides economies and provinces forward, despite the provinces having enough resources and just enough decisions to pursue place-based policies. Such measures helps us to understand contemporary urbanisation better.

**Migration**

Fourth, urbanisation intensifies migration and this leads to the straining of the Hukou system. Infamously known as the symbol of ‘apartheid’ (Peter and Chan, 2004), the system was first introduced by Mao to quell inequalities between cities and rural areas (Chan and Zhang, 1999). It is the basic tenant of the communist ideals to create an egalitarian society where no one is better than the other and how everyone must work
for the collective good of society. As stated, millions from the cities were reallocated to rural areas as a way to reduce inequality, as well as to use them as the labour supply to produce agricultural and industrial produce. Xi Xinping, the current President of China, was not exempted from the policy, where when he was in his teens he was sent out to do farm work in the rural areas. Under the rule of Deng Xiaoping, the state relaxed the migration policy (Chan and Zhang, 1999). No longer were people constricted in rural or urban areas. People were now free to move. In the process, over 100 million people (Zhigang and Shunfeng, 2006) migrated from rural to urban areas, making it the largest ever phenomenon in history. Hukou holders (citizens) of provinces saw themselves overwhelmed. The rise in crime rates alarmed society. This led to the creation of ‘gated communities’ (Pow, 2009) as a way to shield themselves from incoming migrants. Non-hukou holders on the other hand migrate because they were in search of opportunity and better job prospects. Such migration lead to the straining of local resources in the provision of goods and services. For Hukou holders for instance they are able to secure subsidised housing, education, and social services. Non-Hukou holders are excluded from this, causing not only increasing discontent but also human development issues. Manu non-Hukou holders’ children could not access basic education in cities (Chen and Feng, 2013). It is thus the government’s policy to enforce local governments to provide social services and provisions of public good to the people.

Regards to why urbanisation is vital, one has to consider that it can unlock agglomeration and agglomeration invariably can induce competitive advantages for provinces or cities. In order to precipitate development, the private sectors buffeted by the forces of market have to compete to gain profit and reduce cost. Incoming migration enables private companies to hire cheap labours needed to build up their enterprises forward. Danweis, for instance, no longer need to rely on local workers given how they can easily hire migrants to do the work for them. Had they hire local workers, they have to provide social provisions and replicate the iron-bowl policy all over again, which would rather be costly. In regards to increasing profit, one has to consider that incoming migrants can drive up demand and consumption in cities (Yusuf and Saichi, 2008). Such processes will trigger more companies to set up knowing there will be a large market. Such abundance of labour pool intensifies local states development. The main reason why Shanghai is able to claim the top spot, among a
variety of reasons, is how it has transformed itself as a consumption-based and specialized economy. Eight million of its twenty-two million population are migrants (Wu and Gaubatz, 2012:p275), which serves to drive up consumption, reduce costs, and supply specialised labour. Contemporary urbanisation could be further be understood by the migration that occurs in cities.

**Socioeconomic conditions**

The final factor that may help us understand urbanisation better is the socioeconomic development. Urbanisation has invariably affected the socioeconomic factors of the nation. The base of the communist party legitimacy comes from the farmers, and they make up the majority of the communist membership (Brødsgaard and Yongnian, 2006). The legitimacy made on bedrock of the promise to make their lives better may be threatened by the increased inequality arising out of rapid and uncontrolled development of China’s local state development. The potential discontents could erode and threaten the party itself. It is therefore vital for the CPP to ensure that inequality does not go over the roof, lest they would lose of the legitimacy and trust of the people. Yet, contentions have arisen in each passing day. A non-Hukou holder who was beaten to death by the police caused mass national uproar (Xinhuanet, 2015), which led to the revision of the national constitution on the Hukou system; a rare political move given its authoritarian stance. Such move have made China more cautious in its efforts to develop the nation. Such caution has been communicated to the local provinces; which are at the forefront of national development. Sometimes those messages failed to come across. We can see in the case of the Wukan protest (BBC, 2014), which saw mass protest arising from unfair compensation and forcible relocation of the people for urban development. Such anger has forced the central government to take in steps to mitigate the issue with the introduction of land preservation policy; yet again another rare move. The irony of it all is that the central government can sometimes get away with it. Take the case of the Beijing Olympics. It was the central government herself that saw the forcible reallocation of millions to make way for the infrastructure of the Olympics. Some scholars have termed this domicide (Shao, 2013) and this is powerfully dangerous if let unattended. To soften the problem, the people affected are compensated through financial or infrastructural means (new houses). If they are not compensated fairly, as usually in the case of state
level, they may resort to protest. Wu Ping’s Nail house (dingzihu) in Chongqing is a telling antidote which “symbolizes the heightened public awareness of property rights production.” (Wu and Gaubatz, 2013; 203-204; French, 2007). If left unattended it may conflagrate to something uncontrollable. The Chinese authority must then play their role in balancing out equity and efficiency in the contemporary urbanisation even more so than before.

**Conclusion**

To conclude, urbanisation has been a powerful force that has enabled China to punch above its weight in the world. The historical context from the Maoist and Deng era, the increased decentralisation, marketization, changing local-state relations, increased migration, and changing socioeconomic development arising from urbanisation in the contemporary era has also intensified local economic development in the process. It made it such a way that development or entrepreneurial states are now eager to pursue their own trajectory of development rather than just play an accumulation function (Hsing, 2010). In doing so there are problems that arise – rising inequality and socioeconomic instability – resulting from increased migration or domicile for instance. Some problems not covered in this essay include pollution and gender relations. Here the central government must be ever more vigilant in its efforts to build up the nation. With over 1.3 billion population as of 2015 consensus, how would this be possible? Xi Xinping (2014) in his book Governance in China says how governing a large nation is like ‘cooking a small fish’, meaning that leaders must be ever careful and cautious in their approach in building the nation up. Xi Xinping also gave the neologism the ‘Chinese Dream’ (中国梦), in which he aspires for China’s rejuvenation in the new world order (2014). There are costs associated with urbansiation, but there is also potential to create a better brighter future ahead. Confucius himself said, “The journey of a thousand miles start with a single step” (Waley, 2005). China has indeed gone a long way since, but a long way to go ahead in the path to national rejuvenation.

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