

THE CHINESE HOUSING REFORM AND THE FOLLOWING NEW URBAN QUESTION

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ABSTRACT: In terms of the practical urban housing problems and the ideological changes, China initiated the reform of the socialistic public housing system in the 1980s. Along with the transition to market economy, the radical housing reform in 1998 finally ended the socialistic public housing system through housing marketisation and privatisation. The radical housing reform destroyed the balance of urban housing stock and did not solve but caused more urban problems, including social polarisation/segregation and threats to economic and ecological sustainability. The government therefore reemphasised the social housing development and the intervention to the housing market in recent years. However, facing the challenges of the inexperience on public intervention, the resistance from vested interest groups and the absence of civil participation, the correct approach to rebalance Chinese urban housing stock is still a question. While urban renewal in the mode of rehabilitating former public housing neighbourhoods is a potential answer - the feasibility is to be tested and modified in practice.

KEYWORDS: Chinese housing reform, urban housing stock, marketisation, social polarisation, segregation, sustainability, social housing, urban renewal

After the People's Republic was founded in 1949, a socialistic public housing system was established in China. The ideological thought is that the housing is a fundamental welfare for urban residents, in which the majority is working class. The planned economic system and the nationalisation of urban land ownership conditioned the large-scale development of low-rent socialistic public housing for urban residents. In most cases, the *Danwei* (Work Unit) as representative of the state (or the collective), including the public-owned enterprises, institutions and the governmental offices, directly took charge of the public housing development, distribution and management for its employees¹. Therefore, the socialistic public housing system is also called "Danwei welfare housing distribution system" in China. The socialistic public housing system formerly played a very important role in solving the housing problem in Chinese cities and, in general, ensured the effectiveness and evenness of housing distribution for urban residents.

However, since China initiated the "Reform and Opening-up", which is actually a market-oriented transition driven mainly by top-down force, the conventional socialistic public housing system became increasingly inadaptable to the changing socio-economic situation, especially after the transformation to the "Socialistic Market Economic System" from the beginning of 1990s. The reformation of the urban housing system had therefore become inevitable in China. As a result of housing reform, the public housing system was brought to an end in 1998, and the urban housing provision was mostly committed to the market.

Nevertheless, the market-oriented housing reform did not successfully solve the problem of housing shortage. On the contrary, the over-marketisation of housing stock has brought a series of new urban problems, particularly in the big cities like Beijing. The urban questions related to housing issues have become the hot topic for the public. To answer those questions, it is necessary to review the history of Chinese urban housing reform and the process of its reasoning.

¹ Under the planned economic system of China, Danwei provided most welfare, including not only public housing but also hospital, pension and sometimes education, for its employees in the form of benefits in kind. A strong dependency was built up between urban residents and their Danwei so that the "Danwei Community" was the basic unit of urban composition.

1 EARLY ATTEMPTS OF HOUSING REFORM IN THE 1980S

The reformation of the urban housing provision system in China can be originally traced back to the early 1980s. In order to understand the reasons for initiating the housing reform, we have to review both the practical housing challenges on the one hand and the ideological change in the definition of housing on the other.

The practical challenges of the urban housing stock had two main aspects: the housing shortage and the financial deficit in housing development. On the one hand, the lack of emphasis on housing development after the 1950s, together with urbanisation had been the cause of urban housing shortage until 1978. Moreover, the economic development that brought about the Reform further accelerated urbanisation and improved the housing standard. As a consequence, the problem of urban housing shortage became more realistic and challenging. In contrast, insufficient public housing investment emerged as a critical problem, along with the decentralisation process in the reform. The deficit of urban housing investment, which was mainly afforded by the state, became serious when the proportions of Danwei and the individual significantly increased in the distribution of national income that had once been centrally controlled by the state. The conflict between the increasingly “commercialised” economic structure and the still “planned” housing investment/consumption gradually came to the fore.

Nevertheless, the ideological redefinition of housing was more fundamentally conducive to the initiation of housing reform. Urban housing was formerly defined as a form of welfare – a means of subsistence that was centrally provided, by the state for urban residents (the working class). After the start of Chinese Reform, which also pertains to the process of theoretical reinterpretation of socialism, the understanding of housing became a question. A series of debates tried to re-clarify the essential attributes of housing through the re-explanation of the classical writings of Marxism. Finally housing was labelled as “commodity” at the beginning of the 1980s. This attribution was confirmed when “the planned commodity economy” was established in 1984. In general, the orientation of housing reform was guided to promote commercialisation, in order to realise a financial self-balance in housing development and management.

With the socio-economic reformation, more diverse and decentralised approaches were adopted to encourage urban housing development. The roles of the individual and Danwei were emphasised in the new housing construction. In the mean time, real estate development was legally admitted in 1984. The “commodity housing” thereafter was able to be traded between different entities. Since the Danwei public housing system was still dominant, the majority of commodity housing was “group-purchased” by Danwei.

However, the reformation of the public housing distribution system, which is the core issue of housing reform, was not as successful in the 1980s. The original aim of state government in the housing reform was to increase the share of the individual in the total urban housing investment to a reasonable level, in order to realise self-financing of the public housing system. But several attempts to reform the socialistic public housing system in the 1980s failed, these attempts mainly focused on the enhancement of housing rent associated with the subsidised sale of public housings. The enhancement of rent was not easily accepted by the tenants at a time of high inflation, while the continuous low-rent policy reduced the possibility to sell public housing at a reasonable price. The emergence of the sale of public housing, which particularly benefited powerful and rich families, began to provoke critique as to the inequality inherent in the housing privatisation. As a result of the failure of housing reform attempts in the 1980s, the shortage and unbalanced structure of urban housing investment was not improved. On the contrary, the proportion of housing expenditure as part of the total expense per household decreased from 2.3% (1975) to 0.74% (1990). The search for more radical reformation of urban housing policy seemed to be necessary.

2 HOUSING REFORM IN 1994 AND ITS CONSEQUENCE

The housing reforms of the 1990s, however, should be not only seen as the response to those unsuccessful attempts in the 1980s, but also analysed by considering the social, economic and ideological transformations of Chinese society in the early 1990s.

As in the 1980s, the transformation in the 1990s was directly induced by the process of top-down reform. The Chinese government pushed ahead with economic reform, in which marketisation was confirmed as the orientation, after the instability in domestic economic development in the late 1980s and the collapse of the “communist camp” in the Soviet Union and Eastern Europe. In 1992, the transition from the

planned economy to the “Socialistic Market Economy” was announced in the 14th National Congress of the Communist Party. This transition fundamentally changed the orientation of housing reform.

As a presupposition of market-oriented housing reform, the land form is indispensable. In China, urban land is state-owned. Under the conventional planned economy, land was regarded as a means of production and therefore centrally distributed by the government free of charge. At the beginning of the 1980s, the land lease system was introduced. The amendment of the Chinese Constitution in 1988 and the promulgation of the “Interim Regulations of the People’s Republic of China Concerning the Assignment and Transfer of the Right to the Use of the State-owned Land in the Urban Areas” in 1990 legislatively separated the right to urban land use from the land ownership, as a “commodity”. After the transition to the market economy had begun, the process of land reform gathered speed. The first example of land lease in Beijing occurred in 1993.

The release of land use transfer boosted the real estate development but also land and housing speculation, which directly caused the economic overheating of 1992 and 1993. The state government thereby had to strengthen their economic “macro control” to deal with the overheated real estate economy. However, the housing reform did not stop, but further developed as an important part of the effort to establish a socialistic market economy.

In 1994, “The Decision of State Council on Deepening the Reform to Urban Housing System” was declared. In order to boost the housing reform, there were two new but critical policies in this document. The first was to establish two separated housing provision systems – “the affordable housing² provision system with the character of social security for the middle and low income households” and, “the market housing provision system for the high income households”. The second policy was to generalise the Housing Accumulation Fund System³. These changes in fact indicated that the purpose of housing reform had a changing emphasis, from the improvement of public housing system associated with market housing development, towards an effort to establish a more unified “commercialised” housing stock, mainly composed of owner-occupied housing. Nevertheless, the housing reform decision in 1994 still preserved the Danwei welfare housing distribution system. Policies to enhance public housing rent and to partly privatise public housing continued within this system. The decision also proposed the development of a housing exchange market as well as a housing maintenance/management market.

However, the measures of housing reform in 1994 could not be well implemented in practice. The efforts to enhance housing rent and to partly sell public housing at cost price were still unsuccessful. This was due to opposition from both the “privilege group” who occupied many low-rental houses but also the low income group – the “loser” in the economic reform, who was guaranteed by public housing. While affordable housing was gradually developed, it did not and could not replace the role of public housing. The Housing Accumulation Fund only covered the government agencies and public enterprises/institutions but was not largely applied in the growing private sector.

On the other hand, the housing reform that started in 1994 encouraged real estate development in Chinese cities. The development of market housing was also thought to be an efficient way to increase government income and to promote economic development. The majority of the trade of commodity housing gradually shifted from the Danwei to private purchase. In Beijing, the proportion of private purchase in the sale of commodity housing doubled from 19.6% (0.35 million m²) in 1995 to 39.7% (1.02 million m²) in 1997.

However, the incompatibility of the socialistic public housing system and the transition to the market economy presented itself as an increasingly serious problem. The self-financing of public housing development, and even maintenance, could not be realised. Along with the process of market-oriented reform, the housing standards of the Danwei and individuals further differentiated. Ironically, the public housing

² Affordable Housing is a government subsidised, owner-occupied housing system. The governmental subsidies to affordable housing development include free land lease, financial support and tax reduction. The price and profit of affordable housing are highly controlled in order to ensure its affordability for the middle and low income groups.

³ The Housing Accumulation Fund is a public fund monthly paid by the individual and his/her Danwei (according to the individual wage and the total wages of employees) it is reserved for purchasing, constructing and repairing housing. The savings and interest in the personal account of the accumulated housing fund will be refunded upon retirement.

system that was originally designed as a basic welfare for urban residents, contributed to the formation of privilege in housing distribution. In the mean time, it was impossible for the Danwei public housing to cover the increasing private economic sector. A unitary and socialised public housing stock was never really established. Therefore, further reform to the Chinese urban housing stock, dependent upon the Danwei distribution, seems inevitable.

3 RADICAL HOUSING REFORM IN 1998 AND THE FOLLOWING URBAN PROBLEMS

Unfortunately the next step in housing reform was not toward socialisation but marketisation. The reason for this change was rather complicated. Apart from the practical questions (as aforementioned), the influence of ethical/ideological transition should not be ignored. The “Reform and Opening-up” process of China was timely in catching the wave of globalisation after the 1970s, which also brought neo-liberalist thought to China. The Chinese Reform was a process of top-down economic marketisation, in which GDP growth gained priority and even the remaining public sector became profit-oriented. It was thus named as, “the neo-liberalism with Chinese characteristics” by David Harvey (2007). Until the 1990s, superstition towards the market prevailed in the think tanks of Chinese government. The market was ideologically aggrandised as a panacea, and therefore the housing problem became distorted, believed to be fundamentally solved by the free market. The proposal to establish a mono-structural housing stock dominated by the owner-occupied market housing was promoted.

Besides that, the “Growth Machine”⁴ particularly emphasizing economic growth or capital accumulation was also an important driver force for housing reform. In order to attract investment and to increase the local fiscal income, the pro-growth local government, for whom the land transfer fee and the real estate tax were principle incomes, would like to promote a housing stock based on real estate development. The high savings of Chinese urban residents was regarded as a “pre-condition” for housing privatisation. All parties were theoretically prepared for a more radical housing reform, which further deviated from its original track.

Under these conditions, the strategy to completely marketise urban housing stock and to promote real estate development was adopted by the Chinese government in order to sustain the economic growth after the Asian Financial Crisis in 1997. “The Notice of State Council on further Deepening the Reform to Urban Housing System and Speeding up the Housing Construction” was declared in July 1998. The Danwei welfare housing distribution was totally ceased, but “the new-developed affordable housing in principle shall be only sold but not rented”. The urban housing distribution was absolutely “monetised”. The socialistic public housing system thereby finally ended, so that the urban housing policy changed from the state guaranteed public rental system toward owner-occupation dependant on the housing market.

As a direct consequence of the radical housing reform in 1998, most public housing was privatised within a few years. The government almost completely withdrew from direct intervention in the housing stock. Urban housing provision mainly depended on the real estate market. As a result, the proportion of the private, owner-occupied sector in the urban housing stock sharply increased to 81.62% by 2005 (see figure 1). Finally, as a form of private property, the private housing ownership was legally recognised and protected according to the Constitutional amendment (2004) and the promulgation of Property Law (2007).

⁴ Growth Machine, is a pro-growth mechanism of American cities described by urban sociologists Logan and Molotch in order to indicate the blind competition for economic growth between cities, which in fact destroys the fortunes of ordinary urban residents. In their latest writings, the Growth Machine was also applied to illustrate the pro-growth urban development in China. For the details, please see J. Logan and H. Molotch, “Urban Fortunes: The Political Economy of Place (Deluxe Edition),” 2007.

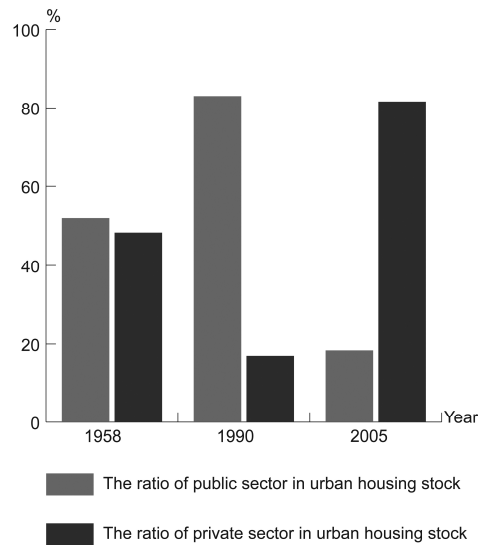


Figure 1 The proportion of private owner-occupied housing sector in Chinese urban housing stock

As a strategy to stimulate the economy, the 1998 housing reform was successful in the short term. Housing consumption and investment enlarged the domestic market. The real estate sector soon became one of the most important engines of the Chinese economy. On the other hand, the government was finally free from its overloaded investment in public housing, and the problem of the privilege or injustice in public housing distribution was superficially “solved”. However, the long-term impact of radical housing reform was unexpectedly negative.

It is firstly an ethical problem that the housing, whose attribute is fundamentally a basic human right, was capitalised to be a property. The housing problem almost became a merely economic issue for the government. Without an effective balance force, the housing market was destined to be polarised and full of speculation. Meanwhile, on the institutional level, the public interventions to the urban housing stock were deficient and inefficient. The social-oriented housing, including affordable housing (for the mid and low income families) and low-rent housing (for the lowest income group), were not sufficiently well-developed in practice because they were not attractive to the pro-growth local government. For instance, the amount of annually completed affordable housing only represented 1/10 of market housing in 2006 in Beijing (see figure 2). In addition, the Housing Accumulation Fund system had not been truly established. Besides the absence of a well-developed social housing system, the financial intervention to the real estate market was deficient. Loans and mortgages for real estate investment were not under efficient supervision. Facing the opposition of interest groups, the levy of real estate property tax or land value increment tax was still under debate. Hence, the housing speculation could not be effectively restrained.

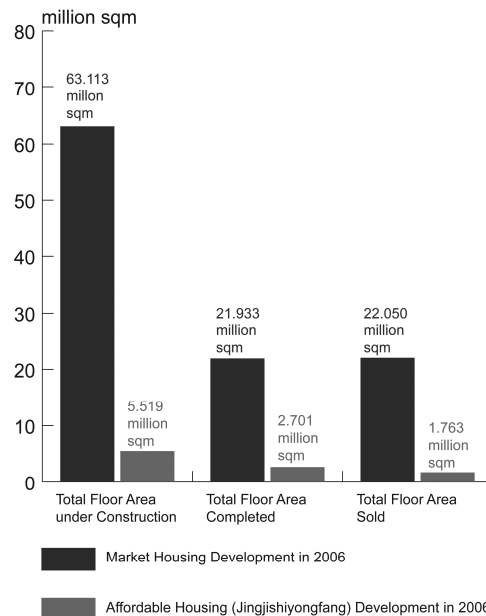


Figure 2 The comparison of market housing and affordable housing development in Beijing (2006)
(Source: Beijing Statistical Information Net)

It was only a few years after the housing reform that a series of intractable urban problems emerged, especially in the big Chinese cities, like Beijing. Although the urban housing building floor area per capita quickly increased from 18.6 m² (1998) to 26.1 m² (2006) through the enthusiasm for real estate investment in China, the urban housing shortage was not successfully solved but transformed into a structuralised societal problem with a background of fast urbanisation and social stratification. A result of housing privatisation and marketisation was the soaring price of market housing: the average newly developed market housing price in the central city area of Beijing had reached over 16,000 RMB yuan/ m² by 2008, which was already unaffordable for the average income group⁵. In order to earn high profit, the developer and the speculator controlled the housing sales so that a large amount of vacant market housing existed⁶. Contrary to the imagination of the promoters of housing privatisation, the end of the public housing system did not restrain but, ironically, intensified the injustice in urban housing distribution. Since housing was converted into private property, the corruption related to housing distribution or exchange became much more serious, while the opportunity for ordinary urban residents to apply for public housing disappeared... Generally, in terms of the absence of an effective balance to the market force and especially in regards to the insufficiency of social housing, the Chinese urban housing stock significantly polarised. The structural housing shortage increasingly presents a situation where low-income families faced severe housing shortage while the rich and upper class occupied large amounts of housing. Even the existence of the middle class is threatened by the mortgage burden. These factors reactively promoted unbalanced social differentiation and polarisation.

The differentiation and polarisation was not only temporal but also spatial. This is clearly presented in the change of urban spatial structure. Under the planned economy, the social composition in a neighbourhood was rather mixed, according to the Danwei public housing system, and the urban spatial structure based on the Danwei community was homogeneous. By the year 2000, the spatial structure of Beijing had changed to become heterogeneous according to the economic income of households, for which the housing reform was one contributory factor (Feng Jian, 2004). Along with the transformation of Chinese society, the social stratification started to present itself in the form of spatial differentiation and even segregation, in which the land and housing reform provided the institutional precondition. Different strata were “filtered” from the originally mixed neighbourhood, so that the homogenisation of neighbourhoods and the heterogenisation between different neighbourhoods were proceeding simultaneously. The economic dimension has become

⁵ The average annual wage of workers in Beijing was only 44,715 RMB yuan in 2008.

⁶ According to Beijing Municipal Bureau of Statistics, the total floor area of unsold vacant market housing had reached 4,876,000 m² in April 2009.

the most decisive factor for this spatial differentiation (Liu Fang, 2007). In Beijing, the gated communities for the rich and upper stratum occupy the best locations of the city, and the middle class can only afford the market housing prices of the outskirts. Most of social-oriented housing neighbourhoods were less accessible and far from the city centre. The mid-low and low income groups have to live in decayed, old areas or move to the suburbs as relocatees of urban reconstruction. As a phenomenon of residential inequity, this social segregation is presenting in Beijing and other big Chinese cities.

Thus, whether temporal or spatial, the over-marketisation of urban housing provision induced more urban social problems. The housing reform toward privatisation and a unitary owner-occupied urban housing stock speeded up the process of social polarisation.

The irony is that the radical housing reform did not only bring urban social problems, but also threatened the urban economy, whilst it was originally regarded as an efficient tool to stimulate economic growth. In terms of the lack of effective interventions to balance market force, the housing market was unprecedentedly “prosperous” after 2000 and the real estate development became an important “pillar” of national economy. Capital largely flowed from the manufacturing sector, which is the base of the Chinese economy and provides the majority of job opportunities, to the real estate market as short-term investments with high profit. The following economic virtualisation and shortage of job opportunities started to threaten the sustainability of the urban economy. Additionally, the popularity of housing speculation presented a danger to the financial system. On the side of consumption, the absence of an efficient social housing system inhibited the growth of domestic consumption. Behind the economic boom and the low inflation of recent years⁷, was the higher growth of expenditure for housing and other welfares (i.e. hospital, pension, education, etc.), so that the increment of individual income rarely converted to increased domestic consumption. This further limited the development of the manufacturing industries. As a structural problem of the Chinese urban economy, at least partly induced by the radical housing reform, this has been an evident factor in the latest Global Economic Crisis.

Furthermore, the privatisation and marketisation of urban housing stock also caused ecological urban problems. Unlimited real estate development consumed large amounts of land resources and speeded up the process of urban sprawl and suburbanisation. The built-up urban area of Beijing city rapidly sprawled from 488.28 km² in 1998 to 1180.1 km² in 2003 and further to 1289.3 km² in 2007. Along with the urban sprawl, the daily mobility between city centre and suburb hugely increased, thereby creating increasingly severe traffic jams and air pollution. On the other hand, the profit-hungry real estate development sector, in which one-time investment was much more of a deciding factor than the lifecycle cost of building, obstructed the widespread application of ecological building technologies for energy saving. Without a balanced housing stock, the ecological problem will present an even larger challenge for Chinese cities.

All of the aforementioned urban social, economic and ecological problems, brought about through radical housing reform, have severely threatened the sustainable development of Chinese cities. Starting from the debate on soaring housing price, the housing problem has increasingly become a hot topic among the public in recent years. Hence, the Chinese government started to intervene more frequently in the urban housing stock, in order to stabilise the market housing price and to re-establish the social housing system.

4 THE EFFORT TO REESTABLISH SOCIAL HOUSING SYSTEM AND THE EXISTING CHALLENGES FOR HOUSING INTERVENTIONS

Since 2003, facing the problems of an overheating of real estate investment and soaring housing prices, the state government began to carry out a series of interventions to regulate the disordered housing market. But the housing problem was still misunderstood as something that could be solved by the market. Even the regulation of the housing market mistakenly relied on administrative means. The interventions were thereby inefficient in practice. In addition, the pressure from the alliance of local government, developer and bank – the beneficiaries of housing marketisation – lead to policy reversals. As a result, the increment of real estate investment actually speeded up from 2003 to 2007 and the market housing price was not stabilised but continuously increased. The urban housing problem has become more prominent.

⁷ From 2001 to 2007, the average annual GDP growth rate of China reached 10.2% but the inflation was controlled below 5%.

Table 1 The Framework of Urban Housing Provision System Adaptable to the Demands of Different Households

(Source: Ministry of Construction, "The Research Report of Multi-level Housing Security System," 2007)

Typology		Target Group	Policy Orientation	Rental Market
Market Housing	High-grade Market Housing	High Income Earners	Limit the housing supply by land provision, tax and credit policy; regulate the housing consumption by tax and other policies	Market sale or rental
	Villa	Super High Income Earners	Strictly Limit the housing supply by land provision, tax and credit policy; strengthen the regulation of housing consumption by tax and other policies	
	Ordinary Market Housing	Mid-high, Mid and Mid-low Income Households	Apply different land provision policies to small and medium housing and large housing, and appropriately choose the location of small and medium housing by considering cost of living and job opportunity; strengthen the intervention by differentiated housing credit policies; improve housing tax and differentiate tax rates; ensure a certain proportion of the housing below 90 m ²	
	Limited Price Ordinary Market Housing	Mainly for Housing Needy Households and Relocates below the Mid-low Income	Mainly composed of 90 m ² housing, and limit each household to buy only one dwelling; supported by land provision	Only for sale
Social Security Housing	Affordable Housing	Low and Mid-low Income Housing Needy Households with a Certain Ability-to-pay, Supplied by Queuing System	Strictly control housing standard to be mainly below 80 m ² ; clarify housing ownership; supported by land provision and tax policies	
	Low-rent Housing	Low Income Housing Needy Households	Government-invested housing development or family housing aid according to housing affordability; set housing aid standard (counted by floor area) according to local condition	Only for rental
		Low-rent Housing for Lowest Income Households	Housing Needy Households within the Minimum Living Security System	
Housing for Particular Group	Housing for Farmer Worker	Migrant Workers from Rural Area	Land provision, tax and long-term financing supports	For rental or for sale
	Housing for Civil Servant	Civil Servant of Government (standards differentiated between central and local government, between different regions, and between high-rank ranking cadres and new civil servants)	Continue the execution of housing subsidy; as an interim measure, admit the unified development of civil servant housing within a certain period; build civil servant apartment referring to the preferential policies of affordable housing	

Preceding those unforeseen housing problems and challenges, the attribution of housing had begun to be rethought. Housing was re-cognised as a necessity of human well-being. Therefore, the state has emphasised the reestablishment of a "social security housing system", which was symbolised by the declaration of "The Observations of State Council on the Housing Problems of Low-income Families" in 2007. The aim was to

build a binary urban housing stock composed of market housing and social security housing. The Chinese Ministry of Construction (which has been renamed as the Ministry of Housing and Urban-Rural Construction since 2008) accordingly clarified a new framework for an urban housing provision system (see table 1), in which the majority of social-oriented housing included limited-price market housing, affordable housing and low-rent housing. Following on from this, the new public-rented housing was proposed as a solution to the housing problems of the “sandwich” class⁸. Under pressure from both the state government and the public, the local government also reinforced the social-oriented housing development. In 2007, Beijing municipality made a developmental plan of 15 million m² affordable housing / low-rent housing and 15 million m² “double-limited” housing⁹ (24.4% of total urban housing construction) by 2010, including the priority of social security housing development nearby metro stations and the mixture of social security housing into the newly-developed market housing neighbourhoods. In 2009, the municipal government announced a further plan, to develop public-rented housing neighbourhood. The low-rent housing was planned to be merged into public-rented housing system by transforming the brick-and-mortar aid into monetary aid for the lowest income group in the future.

In the mean time, the public intervention in land transaction and the housing market was reinforced and improved. In 2004, in order to protect land resources and to curb land speculation, the transfer of land use rights in private was banned so that land lease must be enacted through public auction, tender or bidding. The government retook control of vacant building plots. More, strictly financial means were applied to regulate the housing market in 2007. Foreign investment to the real estate market and mortgages for non-owner-occupied residential property, such as a second home, were limited. The housing speculation was hence partly restrained.

According to the implementation of these new interventions, the Chinese urban housing stock would have been optimised in 2008. Nevertheless, a balanced urban housing stock is still under-construction, and inconsistency of housing intervention still exists due to the interference of various interest groups. The urban problems related to housing issues are still challengeable.

Although the development of social-oriented housing has been reemphasised, the social security housing system still cannot cover the demands from mid and low income families, who are the majority of urban residents. With the continuous rise in market housing prices, the “sandwich” class is increasingly enlarging. The confused attribution of limited price market housing and affordable housing¹⁰ creates the opportunity for corruption and speculation, unchecked by the deficient financial regulatory system of private property in China, so that their sustainability is doubtful. In addition, ambiguity also exists in the attribution of so-called “civil servant housing” for particular groups, which has been criticised for creating new housing privileges and inequity. The approach to transform “social security” housing to actual social housing therefore still needs to be explored. Meanwhile, the locations for newly-developed, social-oriented housing neighbourhoods are usually chosen in less-valued places, which are far from the centre, less accessible and without adequate service facilities. The rate at which social security housing is planned to be mixed into newly-built market housing projects is still too low (usually about 15% in Beijing). Hence, the threat of socio-spatial segregation is unprecedentedly realistic.

Besides the problems in social housing development, the public intervention in the housing market also met difficulties. The tax interventions to limit speculation, such as property tax or land value increment tax, still cannot be implemented, due to the opposition of vested interest groups. Under the pressure to stimulate

⁸ The “sandwich” class indicates the mid or mid-low income groups of urban residents (including young professionals and new immigrants) who cannot afford the price of market housing but also are not covered by the social security housing system.

⁹ “Double-limited” housing is a kind of limited price market housings in Beijing, in which the price and the floor area of dwellings as well as the profit of developer are limited by the government. The target group of double-limited housing is the mid-low income households whose annual income is lower than 88,000 RMB yuan.

¹⁰ The ambiguity of affordable housing is always a critical question. Even according to the new regulation on affordable housing declared by the Beijing Municipality in 2008, the newly-built affordable housing can be traded in the housing market in 5 years after the home-owner obtained the property rights whilst 70% of the spread between sale and purchase price have to be repaid to the government (the rate of repayment is even only 10% for the affordable housing that was purchased before 11th April 2008).

economic growth after the Global Economic Crisis, the Chinese government deregulated the restraints on bank loans for real estate development and mortgages for second homes, since the end of 2008. Some local governments also took this opportunity to slow down the development of social-oriented housing. These measures, taken in order to revitalise the economy did not only rescue developers and speculators but also caused a new round of housing price escalation in 2009. The state accordingly restrained real estate loans and mortgages once more. Thanks to the Crisis, neo-liberalism with Chinese characteristics was revitalised in Chinese housing stock. The reversal of and inconsistency in housing policies was repeated. The land and housing speculation has not been efficiently controlled. This will further damage both the equity of urban society and the sustainability of the urban economy.

In general, the urban problems following the radical housing reform are not solved, while the efforts to redevelop social-oriented housing and to further intervene in housing market have been emphasised. Through marketisation, the urban housing in China has been, in Marxist terms, alienated as property. This capitalised transformation is not only practical but also ethical. When people enthusiastically devoted themselves to this capitalisation, the mechanism of market and capital soon destroyed the original balance of housing stock and caused social conflicts. Alongside this chaotic transition, the effort to rebalance is inevitable. But any attempts to rebalance housing stock are facing uncertainty and challenges.

On the one hand, there is the challenge of an inexperienced government to intervene in the housing stock under the market economy, while the over-estimation of market force has been rethought and criticised. An effective and efficient approach to balance the social and the market is still under construction. This challenge critically presents itself in the public intervention of urban housing stock, including the development of a new social housing system. On the other hand, any intervention to balance the housing stock is increasingly challenged by vested interest groups. The social stratification, brought by the economic marketisation, created those groups who were also the “winners” of housing privatisation and marketisation. They include groups from local government, bureaucrats, developers, banks, speculators, and other newly wealthy groups attached to academia and media, and even some of the middle-class property owners. Together with the upward growth of market force, this new rich and privileged class, which is a monster created by the mixture of capital and bureaucratic power, becomes influential through lobbying the state government or controlling public debate through mass media. They obstruct any social-oriented intervention to the housing stock which will damage their vested interests. This is the reason why the inconsistency, ambiguity and reversal of housing policy making and implementation repeatedly appear.

Except for the inefficiency of top-down governmental intervention and the interference from interest groups, the insufficient participation of residents is also a key challenge for rebuilding a balanced urban housing stock. Three main actors in Chinese housing stock – government, developer and resident (Liu Fang, 2007) respectively represent the political executive force, the market/capital force and the bottom-up social force. Compared with the former two, the bottom-up force from the resident is rather weak. This is not only because of the growing combination of capital and political power but also derives from the deficiency of civil participation in the traditional centralised socio-political structure of China. But the unbalance between the three acting forces is certainly reflected by an unbalanced urban housing stock. In the transition to market economy, which means the twin processes of the decentralisation of top-down social administrative power and the centralisation of market/capital force, it will be difficult to balance the market force with the absence of a civil voice from urban residents.

Without effective answers to these challenges, the urban problems, including social polarisation /segregation, economic unsustainability and ecological threats, caused by unbalanced housing provision and distribution will still exist or even be exacerbated. In order to solve the present structural problem of urban housing stock, the possibility of the next housing reform has been argued¹¹. Anyhow, how to establish an urban housing system with the balance between economic efficiency and social equity is still a question.

5 URBAN RENEWAL: A POTENTIAL APPROACH TO ANSWER URBAN HOUSING QUESTION?

Evidently, a return to the dated socialistic public housing system will be impossible. And the large-scale

¹¹ In August 2009, 14 Chinese housing experts signed a joint petition of “the second housing reform” for the central government in order to restructure the urban housing stock.

development of new social housing areas in the suburbs in the short term would be unbeneficial not only in terms of economic infeasibility but also the threat of socio-spatial segregation. Urban renewal, however, can be a potential solution to the problem of the structural housing shortage. In fact, the urban renewal of old residential areas has been listed as one of the major approaches to recover the social housing system¹². However, the mode of urban renewal is still under discussion. Most of existing cases are based on reconstruction, in which capital played an important role. This means that the threats of segregation and gentrification still exist. On the other hand, while the renovation of old housing has been proceeding, it focuses only on the technical matters without much attention to the community and the housing stock. Thus, in order to deal with the existing challenges in rebalancing the urban housing stock, a new but feasible methodology of urban renewal must be developed.

The new methodology will probably involve the rehabilitation of old neighbourhoods, especially of those modern-designed, former socialistic public housing areas that still provide for the housing of the majority of Chinese urban residents. Urban rehabilitation does mean that the conventional mode of demolition-reconstruction ought to be avoided, so that the local community, including the low-income inhabitants, can be maintained in their original place. Yet the housing condition must be improved for the local residents, not only through the renovation of old buildings and outdoor environments but also partly through demolition and new construction. In the mean time, it will be an opportunity to reintroduce the public-rented housing into the old neighbourhoods through the repurchase of vacant apartments or by increasing the housing density. In order to balance the economic costs for these social-oriented developments, the public-private-partnership (PPP) will be an inevitable strategy, in which private investment will be involved but under public supervision. The purpose of the PPP strategy is not only economic but also social – a mixture of market housing and social housing to avoid spatial segregation. More importantly, without the participation of local community, the PPP mode of urban rehabilitation would never be truly successful. The community participation even offers the possibility to introduce innovative typologies of social housing, such as community collective-owned housing (Guo Xiangmin, 2006). The bottom-up force from urban residents will thereby be strengthened in the housing stock. Last but not least, the rehabilitation itself pertains to an ecological approach; the longevity of renovated buildings will be effectively extended, the waste of demolition will be avoided, and the application of adequate technologies in renovation will also improve the energy saving of old buildings...

As a response to the existing urban housing challenges, the rehabilitation mode of urban renewal indicates the possibility to discover an efficient approach to solve the urban problems related to the housing issue. However, the mistake of superstition to any particular modes, theories or methodologies has been proved through the lessons of history. Similar to any form of intervention, the approach of urban rehabilitation must be tested and adjusted in practice, but may produce new questions. With the transition of Chinese modern society, the questions faced by the urban housing stock are changing and yet await pragmatic answers.

6 CONCLUSIONS

In terms of the practical urban housing problems and ideological changes, China initiated the process of housing reform at the beginning of 1980s, along with the socio-economic transformation brought about by the Reform. However, the early attempts in the 1980s to reform the public housing system, in order to realise the self-financing, were not successful. A further housing reform in 1994 started to change the direction towards the promotion of owner-occupation. Heavily influenced by neo-liberalistic thought, the radical housing reform in 1998 finally ended the socialistic housing system. Most of the public housing was privatised, and the owner-occupied market housing development provided the majority of urban housing. But the new social housing system was not really established at the same time.

However, the long-term impact of radical housing reform was more harmful than good. The market housing prices soared to an unaffordable level within a few years, and the balance of urban housing stock was massively degraded. The over-marketisation/privatisation of the urban housing stock caused a series of urban problems, which did not only increase the social polarisation/segregation, but also threatened economic and ecological sustainability. In order to solve those problems, the Chinese government started to

¹² Please see Ministry of Construction, “多层次住房保障体系研究 (The Research Report of Multi-level Housing Security System),” 2007.

re-establish a social security housing system and to strengthen the regulation of the housing market, since 2003. These efforts, however, were not smoothly implemented, and policy inconsistency and reversal repeatedly re-emerged. The inexperience in governmental intervention, the resistance from vested interest group, and the absence of civil participation have become major challenges to further efforts to rebalance an alienated urban housing stock.

Urban renewal could be a potential response for existing housing challenges. However, the methodology of urban renewal is open for discussion. Instead of the conventional modes of demolition-reconstruction and technical building renovation, the rehabilitation of old neighbourhood, especially former public housing areas, will be a feasible approach to solve the urban problems related to the housing issue. Any new approaches, however, must be tested and modified in practice. Faced with the continuing process of “neo”-liberalistic globalisation (which is probably nothing really new after the birth of the modern capitalistic ethos), in addition to the growing obstruction from domestic, bureaucratic-capitalistic groups, it seems that both top-down (i.e. further institutional reformation of the urban housing provision system) and bottom-up initiatives (i.e. community participation through urban renewal) have to be combined. Concerning the historically developing context, the balance of socialisation and marketisation in the urban housing stock might still be a critical question in the transition of Chinese society.

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