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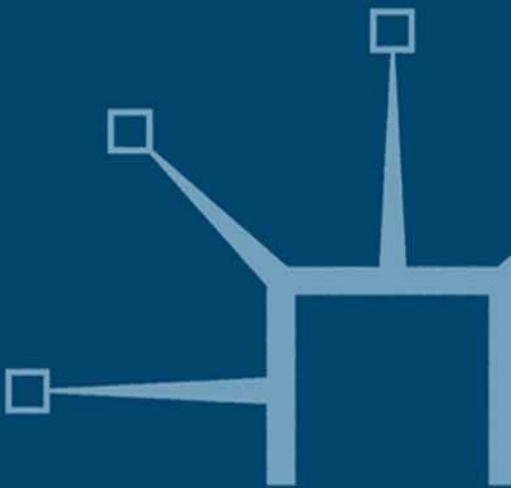

HOUSING POLICY AND PRACTICE IN CHINA

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Ya Ping Wang
Alan Murie

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1 Introduction

Housing issues and policy problems are both universal and inherently specific to a given time and place. All countries, rich and poor, developed and developing, capitalist and socialist, are wrestling with their own housing problems and with the everyday mechanics of housing supply and regulation. The literature on housing systems and housing policy in different countries has expanded considerably in recent years. It has made an important contribution to the analysis and understanding of key issues relating to the origins and nature of state intervention in housing and to the interaction of specific social, political and economic forces. This literature has been central to the development of more critical perspectives on the nature of housing tenures and debates about convergence of housing systems. The most important initial contributions to this literature referred principally to the advanced industrialized economies of Western Europe and North America (Donnison, 1967; Duclaud-Williams, 1978; Headey, 1978; Kemeny, 1981; Donnison and Ungerson, 1982; Harloe, 1985; Bullock and Read, 1985; Ball, Harloe and Martens, 1988). In some cases reference was also made to the former state socialist economies of Eastern Europe and these along with other texts successfully challenged simple assumptions about the nature of tenure systems and public and private ownership in these countries (Hegedus and Tosics, 1983; Szelyeni, 1989; Simmie, 1991; Marcuse, 1996). With the political and economic changes which have affected Eastern Europe a new literature is emerging which is concerned with the process and nature of the transformation of housing systems in these countries (for example Turner, Hegedus and Tosics, 1992; Harloe, 1995; Struyk, 1996). This literature adds to an important growing body of material concerned with the changing nature of state intervention in housing and especially with processes of privatization and marketization.

Another important area of housing studies relates to developing countries with diverse political economies (for example Mathey, 1990; Main and Williams, 1994; Gilbert, 1995). Information on housing in Third World nations is typically fragmented and incomplete. Rapid household formation during the postwar period and its concentration in urban centres has presented a challenge to housing provision that few countries have been able to meet effectively. Typically, squatters

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have undertaken 'self-help' building in response to the inability of the public and private sectors to deal effectively with the overwhelming demand for housing in cities.

This book broadens the base of comparative research in housing and adds to understanding of housing policy and practice in the People's Republic of China. There are several key reasons for doing this. Firstly the organization and nature of housing provision and housing policy in China differs in important ways from that of the former state socialist regimes in Eastern Europe. Policies related to the housing market have involved some familiar elements which have reduced but not eliminated private provision. However, there have been major differences in the dominant forms of building which have emerged and in the important role taken in housing by state companies acting in their capacity as employers. This has important consequences for the types and locations of dwellings. In a period of economic change it also has implications for labour mobility. This relates to the second key reason for looking at the Chinese experience. In China recent economic reforms have involved moves to introduce elements of free market systems and there is a process of economic transformation which bears comparison with developments in Eastern Europe and elsewhere. But in the Chinese case these reforms are being carried out within the existing political framework and established approach to social policy. In this way it provides a crucial counterpoint to accounts of policy and market change elsewhere. Thirdly, China is categorized as a Third World country, but a special one. Housing provision and development are very different from that in other developing countries. Strong state intervention and participation particularly in the urban areas, produced a very different housing system from the 'self-help' style settlements typifying major Third World cities. Finally, Chinese housing policy and reform have been influenced by its near neighbours particularly those regions and countries such as Hong Kong, Singapore and Taiwan which share the Chinese culture.

The progress of reform and transition in China fits more closely to the 'path-dependent' model employed by social researchers studying post-socialist transition in Eastern European countries than it does a 'big bang' model (Harloe, 1996). The privatization of public housing and the establishment of the housing market went through a relatively long experimental process and introduced some mechanisms such as the housing provident funds (wage related compulsory saving) which existed in other Asian countries. The pragmatic nature of the housing

policy development, as will be revealed in this book, is very different from the swift changes that happened in some of the Eastern European countries.

Housing provision in China has been an important area of government policy and academic research[1], but has attracted less attention outside the country, particularly during the early years. Since the open-door policy which increased trading with the rest of the world and introduced competitive influences, a few articles about housing in China have been published in English language journals. They have become the major information sources in the West for people who are interested in Chinese developments. Most of the published work tends to present general descriptions of the public sector, or to study housing issues as part of urban planning (for example Ma and Hanten, 1981; Badcock, 1986; Kwok, 1988; Fabre, 1990; Lim and Lee, 1990; Kirkby, 1990; Dowall, 1994). Some report new policies introduced by the government to reform the urban housing system (for example Fong, 1988; Chu and Kwok, 1990; Kirkby, 1990; Chiu and Lupton, 1992; Lau, 1993, 1995; Lin, 1992; Chen and Gao, 1993; Chen and Choko, 1994; Chen, 1996; Tong and Hays, 1996; Wang and Murie, 1996; Wu, 1996; Zhou and Logan, 1996). Apart from several case studies (Wang, 1992, 1995; Chiu, 1996a), very few of them (World Bank, 1992) report systematic research and detailed studies of the development and management of housing.

HOUSING PROVISION UNDER STATE SOCIALISM

China, as a state socialist country, shared some similar features in housing provision with the Eastern European countries before the collapse of their socialist systems in 1989. To understand the Chinese system, it is useful to consider other socialist systems as well. These two sections in the introduction aim to provide a brief overview of basic features of socialist housing provision systems in Eastern Europe and China before and under reform and to refer to some related theoretical debates.

In centrally planned socialist economies, a major premise of societal organization is that the state distributes costs and benefits, resulting from national functioning and development, equally among all population segments. During the first two decades of socialist development from the 1940s until the early 1960s the dominant trend was towards nationalization and de-commodification. An increasing proportion of

housing became state property. The volume of new private housing construction was reduced; in cities, it was sometimes even eliminated. Rents of publicly owned housing became nominal. The massive decommodification of housing coincided with the stagnation of the housing sector. During the first decade of socialism the rate of housing construction was low. For several years, the countries that established socialist systems gave housing a low priority. Industrialization was the first priority as funds were channelled away from infrastructural development towards industrial investments. (Szelenyi, 1989) By the middle of 1960s the major characteristics of the system and associated problems became obvious.

The key features of housing provision under state socialism can be summarized under four headings. First, a high proportion of dwellings was owned and controlled by the state. However the proportion of state ownership varied considerably from country to country and the state sector was not a unitary sector but included municipal rental housing and housing leased to workers by enterprises. Directly or indirectly, the state paid for the construction and maintenance of both types. The development of the enterprise channel was part of the centralized industrial policy that allocated more resources, for everything, to favoured industries. Priority sectors received not only more inputs and funds for expanding productive capacity but additional resources for housing and other service provision. On the other hand, for municipal housing the level of funding depended in part on the bargaining ability of regional leaders with the central planning and housing ministries. (Struyk, 1996) The essential characteristics of state provision is that the whole process, that is, providing land, building the dwellings, financing and allocation, was closely controlled by the state institutions. There was no direct feedback and the quantity, quality and allocation of housing was not directly dependent on demand.

Second, the private rental sector was generally non-existent in these countries, particularly during the 1950s and the 1960s. The nationalization process literally wiped out most private landlordism, or otherwise greatly restricted their freedom of disposal and rent setting. In most cases, the property was left in the hands of local political committees, responsible for the maintenance of the property and allocation of dwellings. Toward the end of the 1970s and during the 1980s, with the increase of urban population and the shortage of appropriate housing, an informal or illegal rental market emerged in many cities to provide accommodation to low rank citizens or temporary migrants from the rural areas.

Third, most countries tried to starve the home ownership sector by strict regulations, such as zoning or making construction of private homes within built-up urban areas unlawful. No capital market was set up, making the task of raising money very complicated for the individual household. No access, or scant access was given to building materials. The general policy was to limit the existence and use of private ownership of homes as much as was politically and practically feasible. However, there was a home ownership sector in all these countries and some countries had a very high proportion of private home ownership. In the former Yugoslavia for example, despite the social ownership of apartment blocks with more than two apartments there was more private home ownership than in property owning Britain. In 1980 about 78 per cent of homes in Yugoslavia were privately owned. (Simmie, 1991) In most former East European countries including Yugoslavia, there was no established market mechanisms for the home owners to exchange housing, although informal exchanges always existed.

Fourth and finally, when the new political regimes (which initially concentrated on establishing industries and production) eventually turned to social provision and housing, they adopted large scale construction of public housing in high rise estates. Massive investment was needed to respond to the shortages arising from war and the subsequent period of low investment. The way of achieving this involved restricting private construction and adopting new construction techniques. The consequences were the creation of poor quality living environments. Large scale high-rise estates met immediate housing needs but in the long term presented management and maintenance problems, and poor design and construction were common.

Despite basic socialist principles of equality, inequality of housing provision was apparent throughout the entire life of Eastern European state socialism. In the former Yugoslavia, Simmie (1991) found that

> social housing is allocated disproportionately to elites among politicians, government officials and the managers of enterprises. The majority of workers are "forced" into self-build home ownership. Many of the less skilled workers together with immigrants are to be found living in the relatively high-cost private rented sector. Members of the party and the higher status groups who make these allocations are shown to have been, at least in the past, the main beneficiaries of the more desirable and scarce accommodation at the least cost in a socialist society.

In addition, bribery and corruption existed both within and outside the formal, bureaucratic system. These features and associated problems contributed to policy changes within these countries long before the collapse of the socialist system. Indeed, as early as the 1960s, some East European countries had embarked upon housing reforms which aimed to increase the role of the private sector. By 1989 some had home ownership sectors which accounted for a much larger part of the housing market than in the free market economies.

Housing provision in Chinese cities since 1949 shared some common features with the Eastern European socialist system. However there were also important differences. Traditional housing in China was in the form of self-help and private ownership by the residents. Houses were built with exclusive courtyards to establish family identity, particularly in the rural areas. In urban areas, housing design and courtyard organization were similar but building densities were much higher. With the increase in modern industrial factories during the first half of this century, private rented housing developed for the urban industrial workers in large cities. Since 1949, while rural housing remained private and maintained the traditional style, urban housing has been provided within a socialist system. The general assumptions are that under this system housing is primarily a social welfare and income subsidy: therefore, this sector is planned in relation to social needs, and housing is mainly supplied by the state (Chu and Kwok, 1990). Through the 1950s and 1960s, the private rental housing stock in urban areas was systematically transferred to local government. At the same time local government built large quantities of public housing through industrial expansion and urban renewal programmes. Industrialization resulted in a rapid expansion of the urban population and large quantities of housing were required. The dominant tenure form at the time – private rental housing – could not cope with these requirements. The vast majority of working people could not afford to rent good quality unsubsidized accommodation. Public housing was perceived as necessary for economic development.

Although public housing in China was based on the principles of state socialism, it also had its own historical roots. Ideologically, the socialist system aimed to provide equal access to housing to all members of the society. Housing development and provision was a major component of the social welfare system, rather than of capitalist exploitation. The new communist government accepted public housing as the main form of tenure automatically and without much discussion. For the new leaders, it was not public housing but

industrialization which was a new phenomenon. During China's long feudal history, government offices and official residences were often adjacent for the Emperor, for senior officials and down to the lowest levels of administration. Housing was traditionally provided for the people who worked for the government and this was never questioned. There was no contradiction between communist ideology and this Chinese tradition. Industrialization caused confusion over who worked for the government and who did not. This was particularly the case with general public sector employees and industrial workers in publicly owned industries. The aim of the Communists was to build a one class society of workers with the top leaders and the lowest rank of shop floor workers in the same class. If the top leaders were to live in public housing, the workers should also do so. The Chinese Communist revolutionary history had been another major influential factor. It took more than 30 years for the Communists to achieve power. During that time, a system of military supply determined each person's living situation including housing. It was convenient to follow this allocation mechanism for housing distribution during the first years of the new government.

Central government in China played a very important role in guiding and funding public sector housing development. Early public sector housing was provided through central planning and capital allocations. As in other socialist systems, local governments were the major organizers of public housing. City governments are the largest public housing providers, but they only control a very small portion of the public housing stock which is mainly controlled directly by government owned institutions and enterprises. The funding for institutions' and enterprises' housing was provided variously by central ministries and local government departments. Decisions on what kind of housing would be built and how housing was distributed and managed inside these public establishments were made by institution and enterprize leaders rather than by the city government. In this system, housing was tied up with employment. Only those who were employed by the institution or enterprize were entitled to housing. Even where the city government controlled housing, there were important differences from local authority housing in the West. The Chinese city government, as a major public sector employer, provided housing for its employees like all other public institutions and enterprises. A large proportion of its stock was used by its officials and other employees. The stock offered to the general public in the western way was very small. With different financial and organizational arrangements, public sector housing in China is very different from other countries in

style, location, quality and the relationship with other land uses. Public housing appears in every possible location from the city centre to the suburb. While a few relatively large housing estates built during the 1980s and 1990s can be found in some large cities, most housing areas are tied up with individual institutions or enterprizes and surrounded by walls.

The development of public housing as the main sector promoted by the government, and the tendency to eliminate all private ownership of housing meant that for a time, almost every urban family relied on the public sector for housing. But within this general approach, many different mechanisms were in operation to determine who got which house. Access to public housing was a very important privilege and the distribution was based on social merit rather than social needs: the higher the rank in the government or in the institution, the easier access to housing; the higher the rank, the bigger the home. The socially disadvantaged groups' chances of obtaining public housing were very small. In all cities, public housing was only available to officially registered urban residents and public sector employees. Unofficial migrants, rural farmers and the young unemployed were excluded from public housing. Even officially approved temporary workers were not entitled to public housing.

By the end of the 1970s the dominant role of public sector housing had been established in all Chinese cities. Private sector housing had declined to about 10 per cent of the total stock. During the early years of the 1980s an intensive building programme was carried out to increase housing supply. In the Sixth Five Year Plan (1981–85) period, the floor space of newly built urban houses in China accounted for 48 per cent of all floor space built between 1950 and 1985 (Wang 1992). However, these policies did not solve urban housing problems. Socialist China shares the same problem of inadequate provision of housing with many other developed and developing countries. The first national housing survey conducted in 1985 included 26 million households. It revealed that over 28 per cent of households experienced housing problems: 870 000 were classified as homeless (no home after marriage, living in non-housing buildings or living with relatives); over 3 million lived in inconvenient conditions with the whole family in one room or two families in one room; another 3.5 million had less than 4 m^2 average floor space per person (State Statistics Bureau, 1989). Facing this almost insurmountable problem and changing political ideologies, Chinese policymakers began to search for alternative ways of organizing and providing housing.

PRIVATIZATION OF PUBLIC HOUSING

Housing policy in many advanced economies overwhelmingly favours owner occupation above other tenure forms. Attempts are still being made to encourage the new building of rental housing for those that cannot afford home ownership, but in ways which are as private market orientated as possible. There have been shifts in the forms of state intervention in housing provision. The state has promoted housing privatization through the sale of public sector housing to sitting tenants or independent organizations and, at the same time a variety of new forms of intervention have been introduced in rental housing, particularly through a rejigging of housing subsidies, rent structures and new forms of finance. (Forrest and Murie, 1988; Ball *et al.*, 1988) In Britain for example, the most important element in the privatization programme of the Conservative governments in office between 1979 and 1997 was the sale of publicly owned dwellings (Forrest and Murie, 1990).

In Eastern Europe, from the end of the 1970s the growing economic crisis put an end to the expansion of state housing. State provision faced a crisis; it was no longer possible to finance new construction as before and an increased role was given to private production. Hungary and Yugoslavia led in this process from the beginning of the 1980s. Gradual changes were introduced including increasing the role of the private sector, some privatization and decentralization within the state sector, modification of the housing finance system and establishment of a housing market (Turner, Hegedus and Tosics, 1992). Turner (1996) believes the reasons for these changes in housing policy towards market solutions involved both push and pull factors. Push factors included the increasing unpopularity of the high-rise prefabricated estates which had been the predominant form of state housing production in all Eastern Europe. The pull factors included the growth of the ownership sector. In a turbulent economic situation, private ownership gained in importance for affluent groups in society who found it to be in their interest to safeguard the right to own property in socialist countries. The liberalization of the attitude towards ownership in Eastern Europe during the early 1980s brought about changes in the housing market. It became possible to form private co-operatives, to build privately owned individual dwellings, and in some countries to purchase dwellings belonging to the public sector. There were even signs of a rehabilitation of the private landlord, especially in those countries where a limited, and highly restricted, private ownership of multi-family housing had been preserved.

Political events in 1989 led to the collapse of the socialist system in Eastern Europe. The economic systems which now exist are referred to as transitional economies. Housing policy has changed with greater role for the market. In Budapest in Hungary, for example, a Right to Buy policy has been implemented which made it possible for sitting tenants to buy their housing units under very favourable financial terms without real constraints on re-sale (Hegedus and Tosics, 1994). In Poland, gradual rent increases were introduced in 1991 to improve the management of public sector housing (Schmidt, 1992). In Russia privatization has included transfer of ownership without any payment (Nataliya, 1994). Elsewhere in Eastern Europe there are similar examples (Turner, 1992; Siksio, 1992; Nord, 1992). Following initial privatization programmes, there were further changes. Several countries including Armenia, Estonia, Slovenia and Hungary imposed time limits for the privatization process. In these countries, privatization on the initial terms was completed by the end of 1995. In some cases, tenants retain the right to buy their units, but at market prices or on new terms set by local governments (Struyk, 1996).

These hasty reform policies were based on a simple assumption: privatization will facilitate the process of redevelopment of the city; and housing privatization will accelerate the formation of the market. Because social ownership was the vital point of the previous institutional and ideological order, it had a very strong symbolic meaning and the sale of social rental accommodation signalled that the fortress of social ownership was definitely crumbling and was giving way to new arrangements which had been inconceivable even a couple of years earlier (Mandic and Stanovick, 1996). This approach was supported by a wide range of public opinion (in both East and West).

> ... Many of the international agencies now involved in the East, the plethora of Western consultants and advisors who desire to act as the midwives of the new order, many in government and the public administration whom they advise, and so on. What this group has insisted upon is the notion, of the fastest possible abandonment of all aspects of state socialism and its replacement by (neo-) liberal democracy, with the least possible role for the state (and as decentralized an administration as possible) compatible with free markets and the private ownership and exploitation of capital. (Harloe, 1996, p.5).

Many social scientists were as sceptical about the viability of these new systems for Eastern Europe as they had been for the old system or for

the West. As processes of economic, political and social restructuring unfolded, the empirical validity of the 'big bang' theory of the transition was soon called into question. Harloe (1996) refer to contributions by Putnam (1993) and Stark (1990, 1992) who have pointed to its varied, hence path-dependent nature – 'where you get to depends on where you're coming from'. This means that

> 'we cannot turn our backs on the legacy of the past if we want to understand the present. Nor can we accept, as some do, that 'state socialism' was a cross-nationally identical phenomenon, or that similarly uniform description and analysis can be provided of the transition' (Harloe, 1996, p.5).

Many social scientists also do not agree with the view frequently held by proponents of the free market solution for the former state socialist societies, that privatization involves a simple transfer of rights of ownership from the state to private individuals and enterprises. Ownership as Marcuse (1996) notes, is not a simple concept but refers to a bundle of rights which were divided between the state and individuals under state socialism as they are under capitalism. The privatization process, therefore, involves frequently conflictual repartitioning of these rights. The process of transition

> 'involves a complex struggle between contending groups for economic advantage, political power and social position. The privatization of former state assets is a key part of all this... . The lack of a stable legal framework or a system of planning regulation, means that there are many opportunities for interest groups to manipulate the situation, to gain advantages for themselves, and to convert the advantages that they enjoyed under state socialism into private property ownership in the new regime. At the same time, there are various sources of resistance to the spread of private ownership rights that are inherited from state socialism.' (Harloe, 1996, pp.15–17)

Struyk (1996) also found that, paralleling other developments in post-socialist society, those who had privileges in the former system tended to gain most from housing privatization, and this added to resentment among the rest of the population. Privatization is not a socially just or equitable process. Some win and others lose, and many winners are able to do so by virtue of their ability to convert advantages gained in the old system to ones enjoyed in the new system.

> 'Housing privatization involves a profound shift in housing consumers' attitudes, from those associated with property rights under socialism – linked to considerations of security of tenure and the ability to pass tenancies on to family members – to those associated with capitalism, in which housing is seen as a commodity with value in the market and a source of income and wealth.' (Harloe, 1996, p.18)

It is also argued that the older Western capitalist democracies have generally had mixed economies of housing provision rather than market systems. State and non profit sectors are very large and the private sector regulated and subsidized. The post socialist market models often bear little comparison with the realities of the non-socialist systems elsewhere.

China, like countries with very different political regimes, has launched a series of economic reforms since the death of Mao in 1976. These allow market forces and private enterprise to play an increasing role in the production and consumption of goods and services (Nee, 1989, 1991 and 1992). The role of the state in housing has been the subject of controversial debate in China as well. Various new policies were introduced from as early as 1979 designed to commercialize and reform the public sector dominated housing system. In 1983, the State Council took further steps and guaranteed to protect private property rights. This paved the way for an expansion of private housing investment. At the same time various experiments were carried out to commercialize the existing urban public housing sector (Badcock, 1986; Dwyer, 1986; Fong, 1988; Kwok, 1988; Kirkby, 1990; Lim and Lee, 1990; Lau, 1993). In 1988, the government initiated a further economic reform known as the Ten Year Reform Strategy. One of the major objectives was to encourage urban residents to buy their houses, to formulate new housing finance arrangements and to restructure rents in the public sector (Liu, 1989). Since then various central and local legislation and regulations for the privatization of urban housing have been issued. Large quantities of houses were built by developers and many public sector institutions and enterprises have produced plans to privatize their housing stock through sales to existing tenants or to other employees. During the first half of the 1990s, housing privatization and urban property development have been key areas of government policy. Large quantities of existing public housing owned by large state enterprizes and institutions have been sold to the sitting tenants. More and more urban residents bought newly built commercial

housing. Urban housing development, particularly for low and middle income families has been seen as a key sector in national economic growth.

INTERPRETING THE CHINESE EXPERIENCE

In looking at the privatization of housing in China and at housing policy and practice in China, it is important not simply to have stereotypical images of market economies or Eastern European socialist systems in mind. Comparative research on housing and in other areas has repeatedly emphasized that housing and housing tenures do not operate in a vacuum. It is essential to locate housing within a wider context. Housing is a product of more than housing policies and is context bound (Ball and Harloe, 1992). This does not refer simply to the interaction between tenures and their integration into the legal, financial and economic system but to a wider social embeddedness. This notion of embeddedness has been advanced most vigorously by Kemeny, referring to the work of Granovetter (1985) who attacks the assumption that economic institutions can be understood separately from the social structures of which they are part. There is a mutual interaction through which markets are affected by these structures, as well as affecting them. Kemeny (1992, 1995) draws on this debate to argue that it is misleading to contrast markets and state allocative systems and informal allocative systems, as all three contain a mix of the three constituents parts. In housing the market is affected both by state regulation and by the competition or comparisons offered in non market sectors.

These perspectives are important when looking at China. We should not assume that the Chinese system represents a non-market system or that, as a socialist system, its characteristics can be assumed from that label or the historical and ideological elements associated with it in other countries. The institutions which are crucial to the operation of the housing system in China are products of the wider society in which they operate. The legacy of past arrangements is apparent not just in the built environment but in administrative and political arrangements. Western scholars have for a long time identified a distinctive Chinese road to communism and it may be just as important to recognize a Chinese road to economic and housing reform. We are not just looking at another socialist economy and able to read off from the labels attached to different parts of the housing

system arrangements that have existed in other countries. There is a distinctive history and continuity which affects Chinese housing and other institutions and represents the embeddedness within Chinese society.

The history of Chinese housing which is presented later in this book, demonstrates the extent to which key political events have been crucial in the development of housing. The political and social environment is the product of civil war, of foreign war, of cultural revolution, of the size and variation within China. There are fundamental differences between urban and rural areas and there are important continuities in political and administrative traditions and structures. While the communist system represents an important break with the past, it is not a complete break. The continuities are apparent throughout Chinese society but they are also evident in housing. Private ownership has never been completely eliminated and major attacks on private provision were made only in particular phases. It is important to identify different periods in the development of the economy, society and politics.

The distinctive roles of work units in Chinese cities has a profound impact on the morphology of Chinese cities, the organization of the welfare state and the complexities of reforming housing provision. But the role of work units is not a simple product of the communist system. It reflects social and organizational continuities. Early Chinese cities were built with three distinct areas: administrative, commercial and residential. These areas were usually separated by walls and each activity was confined within the defined area. With the development of commercial activities, these functional divisions were gradually broken down. Nevertheless cities continued to have distinct quarters. Subsequently these quarters included divisions along ethnic lines as well as separate quarters for the ruling minority (Wu, 1993). After 1840, with the arrival of overseas influence and the early development of industry, new industrial districts were constructed in the treaty port cities along the east coast. These industrial districts were in peripheral locations and the activities were concentrated around railway junctions and other developments. In contrast to the treaty ports most inland and interior cities experienced little change in their traditional economic and administrative functions. The traditional Chinese urban population continued to consist of government officials, professionals, small businessmen and shopkeepers, local landlords and a small proportion of industrial and service workers. Although the cities were relatively small, they were segregated and the organization of industry

was often in separate compounds. The segregation of activities and work places is a long established feature of Chinese cities and was absorbed by the Communist system.

Another feature which is crucial in economic and housing reform which has been referred to earlier is the position of government officials in the housing system. Institutional and enterprise status determines the social status of the housing estates and those who live in them. At the top in the most desirable places are the highest leaders and their families, usually living in guarded compounds with detached houses and gardens surrounded by other facilities. Highly profitable enterprizes and well funded large government institutions occupy other high status areas. Comparisons can be made with Eastern Europe in which cadres associated with government and the Communist Party achieved privileged positions in housing. In China government officials have also tended to obtain better quality housing and to obtain that housing quicker than the rest of the population. However it is an error to see this as simply an example which illustrates that China's communist system conformed with communist systems elsewhere. As has been noted the tradition of housing government workers is a very long established one in China. It pre-dates the communist system. It is part of the legacy of earlier systems and the social and political tradition of the country. This does not deny its importance but it leads us to question its origins, and because it has different origins, it is likely to have different attributes. Consequently stratification within Chinese cities will not conform simply to that of Eastern Europe. The legacies of past stratification systems and the impact of developments under the communist system since 1949 produce a more complex distinctive Chinese pattern.

The distinctive role of work units, the distinctive nature of stratification and the distinctive structure of the state and the welfare state, with the role of employers so prominent, are important for the understanding of housing, and are fundamental in the process of housing and economic reform. In considering housing policy and practice in China it is essential that the embeddedness of this in the Chinese system is recognized. In the 1980s and 1990s superficially China has embarked upon the same process of reform that has been identified elsewhere but again it is important to recognize that China has taken, and is taking a different route. It is bound to do so because the system which is being reformed is distinctive. In addition China has continued to carry out this process of reform with the Communist Party in power. This does not mean that there are not important

political changes but the process is one in which continuity is likely to be greater than in Eastern Europe. The path-dependent model is inevitable, partly because the selection of the path is being made without breaks in leadership. It is also preferred to the alternatives because the Chinese view of the way to make progress in these areas is to cross the river by feeling the stones with your feet: in other words, to proceed cautiously and pragmatically choosing the precise route in view of what obstacles and opportunities emerge.

STRUCTURE OF THE BOOK

This book is based on a long period of research on Chinese housing and a major ESRC supported research project on Chinese urban housing system reform. The materials used are mainly original Chinese sources collected during several major fieldwork visits to Chinese cities. These have included discussions and interviews with those involved in housing policy in China as well as scrutiny and analysis of policy and related documents. It provides a systematic account of the key features of the housing system in China and of the progress of changes in housing policy and practice. Chapter 2 provides information on social, economic and political systems which form the essential background to housing policy development and practice. It includes brief descriptions of the physical and historical context of urban development and urban/rural differences, of central and local government, the Party system, and the central and local housing authorities. Because of the differences between urban and rural areas and the importance government places on urban areas, later chapters deal with urban and rural areas separately. The next five chapters discuss urban housing policies and practice since the establishment of the communist government. Chapter 3 begins with a brief overview of urban housing before 1949 and then focuses on the early years of the Communist government during which a less radical approach was taken toward urban private housing. Chapter 4 examines the 20 turbulent years from the 1956 to 1977 during which state housing provision system was established through nationalization and public sector construction. Chapter 5 reviews the housing boom of the 1980s and the consolidation of the public sector role in urban housing and in the improvement of the living environment. In the 1980s various discussions and experiments were carried out to reform the housing system and this preceded the privatization of public sector housing in the 1990s.

This reform process is dealt with in Chapter 6. Chapter 7 then discusses other policy initiatives designed to facilitate the development of the urban housing market during the 1990s. This includes policies and legislation concerned with the property market, housing finance, estate management and targeting families with difficulties. Chapter 8 deals with rural housing. Because of the size of the country and the variations between regions, this chapter provides a general overview of rural housing development. The final chapter brings together the most important features of the Chinese housing system and discusses the social and economic impacts of the reform programme. It ends with some reflections upon the future of housing reform in China.

2 Social, Economic and Political Context

In the western housing literature on China, terms such as 'housing a billion people' are frequently encountered. Such phrases are useful to draw readers' attention to the scale of the housing challenges faced by the Chinese governments. However they only give a superficial picture and no sense of the organization of housing or of housing policy and practice in the country. China is a vast country and the Chinese population is by no means a homogeneous group, particularly in relation to current housing provision and requirements in the urban and rural areas. Traditionally, Chinese people were housed through various self-help shelter schemes in a more or less rural environment. State assistance in general had never occurred before 1949. Since then industrialization and urbanization have brought about an increase in the urban population. Housing the urban residents has been a focus for policy over the last four decades. People in the rural areas generally still live in their traditional style of buildings without much help from the government, but changes in urban China have been rapid and dynamic. These locational and socio-economic variations are crucial in understanding the Chinese housing system. This chapter provides a basic socio-economic and organizational context for the more detailed analysis of housing policy and practice in later chapters.

Housing provision and consumption vary considerably across societies with different social, economic and demographic contexts, different political and economic systems and different levels of industrialization. Administrative responsibility for housing and the organization of government have a major influence on housing policy and practice, and they in turn are affected by the political and legal framework of the country. Consequently, the principal features of the political and administrative system form a major element in understanding a country's housing system. This chapter aims to provide the essential information on the political and administrative context of China required to understand housing policy development and practice. It begins with discussion of the physical and historic characteristics, urban development and urban-rural differences. It then describes the basic structure of central government and the political system, and a

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more detailed examination of the local government system, particularly local government structure, functions and finance. The chapter ends with a brief description of the development of central housing authorities. In terms of political and economic changes reference should be made to other sources on changes in China (for example Kirkby, 1984; Riskin, 1987; Goodman, 1989; Goodman and Segal, 1989, 1994; Spence, 1991; Fairbank, 1992; Dreyer, 1993; Moise, 1994; Tu, 1994; Croll, 1994; Edmonds, 1994).

PHYSICAL AND HISTORIC CHARACTERISTICS

China is a very large country – high in the west and low in the east – with many diverse geographical features. The hills, mountains and plateaux which cover two-thirds of the country's total land area are only inhabited by one-third of its population. Plateaux and large scale basins in the west join other topographical forms scattered over wide areas or intermingling with each other to provide favourable conditions for developing a diversified economy of agriculture, forestry, animal husbandry and mining. Plains are mainly located in the east, though the southeast is mainly hills. The proportions of plains, hills, mountains, plateaux and basins in the country's total land area are about 12, 10, 33, 26 and 19 per cent respectively. The total cultivated area of about 95 million hectares is only 10 per cent of the total land area and amounts to only about 0.1 hectare per capita of the agricultural population, a very low figure by international standards (State Statistical Bureau, 1994a).

China is the world's most populous country and had a population of 1223.9 million at the end of 1996 (State Statistical Bureau, 1997, p.25). Despite the vast land area, the population and economic activities in China are concentrated in the much more limited area of great plains, valleys between mountains and hills, and river deltas. Population density changes from over 450 persons per square kilometre in the eastern provinces is such as Jiangsu, Shandong and Henan, to less than 2 persons per square kilometre in the remote rural areas in the western part of the country (Figure 2.1 and 2.2).

China has one of the world's oldest civilizations with about 4000 years of written history. After more than 2000 years of slave society, in 221BC Qin Shi Huang, First Emperor of the Qin Dynasty who organized the building of the Great Wall, established the first centralized, unified feudal state. From that time dynasty after dynasty, China

Figure 2.1 Provinces and major cities in China

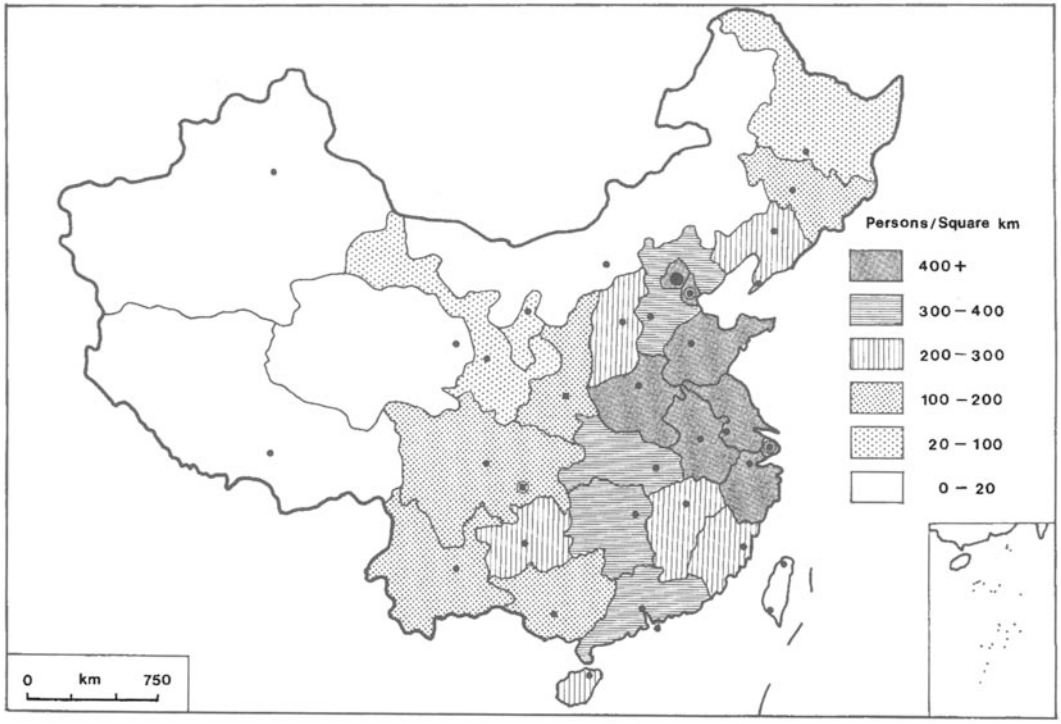

Figure 2.2 Population density in Chinese provinces

experienced about 2000 years of the feudal system. Outstanding features of the Chinese civilization are its age and its continuity. Unlike the world of the Middle East, the Mediterranean and Western Europe, China has had no great interruption to the continuity of its history, civilization and administrative tradition over the past 2000 years. Reflecting the historical continuity of its civilization, China today is remarkably homogeneous in language, culture and tradition. The Han people, the main nationality of China, who have a common written language with several distinct dialects, make up approximately 93.3 per cent of the total population, while 55 other nationalities account for the remaining 6.7 per cent (Li, 1992, p.148).

China's economy grew substantially between the fourteenth and twentieth centuries, especially between the sixteenth and eighteenth centuries. However, two features distinguish this growth from the modern economic growth in Europe following the Industrial Revolution. First, since the fourteenth century, the level of technological change was in no way comparable to that of the industrial revolution in Europe. Economic growth in the five centuries before 1840 was accompanied by few major changes in technology. Thus growth was characterized by an increasingly complete exploitation of available land resources without large discontinuous changes in technology. Second, economic growth was accompanied by a substantial growth of population, which, although the evidence is inconclusive, probably prevented a long-term rise in per capita income and possibly caused income to fall. (World Bank, 1984)

By about 1800 European nations were technologically ahead of China and the gap widened sharply in the following 150 years. The World Bank has identified various possible explanations for this. China's huge size and its legacy of political and cultural unity has both favourable and unfavourable impiications for modern economic growth. A comparison of pre-industrial Europe with China suggests that it may have been the diversity of Europe rather than the homogeneity of China that was conducive to industrialization and modern economic growth. The pluralistic institutional structure of Europe stimulated dynamic and individualistic innovation, as well as the introduction and diffusion of new technologies and ideas. Effective control and the preservation of unity in China seems to have restrained independent centres of initiative in thought and economic action, but economic progress demands the mobilization of popular enthusiasm, energies and talents. The conflicting needs for centralized control and for local initiative and enthusiasm have proved difficult to balance

(World Bank 1984). China's cultural unity and strength, its long history of technological superiority to all foreigners, and its geography created a resistance to foreign ideas and institutions. Modern economic growth was also inhibited in China by the succession of weak and incompetent governments, and those problems were seriously exacerbated by foreign aggression. Only after 1949 did the Chinese Government assume an effective development role.

URBAN DEVELOPMENT AND URBAN/RURAL DIFFERENCES

Fewer than 30 per cent of Chinese people were classified as in the urban population in 1996. Although this reflects a rapid increase over the last 15 years it remains a very low figure compared with western industrialized society. Nevertheless because of its large population, territory and long feudal urban history, China possesses a comprehensive urban system from large metropolitan areas such as Shanghai and Beijing with several millions of population to small local market towns of a few thousands. This modern Chinese urban system owes much to its feudal origins. Except for towns based on extractive industries modern industrial development is mainly concentrated in these historic cities.

China's feudal town system was determined by the socio-economic structure of that time. With centralized state power over a large territory, a hierarchical system of administrative towns was established as early as the Qin Dynasty (221BC–207BC). By the Tang Dynasty (618–906) feudal centralized power reached its peak. The feudal town system developed into a mature stage with the national capital city – Changan (Xian today), provincial capitals and other local administrative seats as administrative, economic and cultural centres. This Tang system still forms the base of the modern Chinese urban system. The following dynasties made further development of those towns and adjustments to the system. In the Ming (1368–1644) and the Qing (1644–1911) dynasties, for instance, beside Beijing as the national capital cities like, Chengdu, Nanjing, Fuzhou, Xian and Hangzhou were for the most part regional strongholds of feudal rule. The 'fu' (prefecture), 'zhou' (sub-prefecture) and 'xian' (county) cities were centres of feudal rule at the sub-province level and also centres for local handicrafts and commerce and the trade of local agricultural products (Wu 1986). Despite this comprehensiveness, Skinner (1977)

has pointed out that in traditional China a nationally integrated urban system did not take hold. Many cities existed, but remained local and regional. The nature of the long distance transportation system, based on movement along a few major rivers and canal systems, restricted national economic and urban systems. Regional marketing networks were heavily associated with the nature of the existing localized transportation system and a set of great regional urban systems existed in the nineteenth century.

Restricted by transportation, feudal Chinese cities were compact, usually within a city wall. Early industrial development before 1840 in the west had little effect on Chinese city development. With the coming of westerners by the sea, the urbanization process was changed in some of the coastal cities. Commercial functions then began to dominate some of the old administrative roles. The traditional feudal control of these cities declined. Shanghai is a dramatic example. The city was a traditional local administrative and commercial centre for over a thousand years. In 1264 it became a small town for county administration. By 1840, it was a town within a surrounding wall with about 500 thousand people. The Treaty of Nanjing, signed in 1842 between the Chinese and British governments ended the Opium War and established British rights to trade at Shanghai and to station a consul there (White, 1982). By 1845, the number of foreigners had increased considerably. Non-Chinese authority controlled 'concessions' were soon established. Chinese quarters developed rapidly as well. Shanghai's population had reached 1 million by 1880 and 3 million by 1930. After World War II the city recorded over 6 million people and became the largest city in the Far-East. (Urban Planning Department of Tongji University, 1982) Such dramatic urban growth only happened in a small number of places along the coast with transport inland through big rivers and subject to western influence. Indeed, Murphey (1970) and Chang (1976) viewed the late nineteenth- and early twentieth-century Chinese urban system as dichotomous, a system in which coastal and riverine foreign-influenced treaty ports were distinctive from the great indigenous corpus of Chinese cities. The latter were located in the interior and were based on local commercial and administrative functions, while the coastal towns became commercial and industrial centres associated through external contacts with the world's modern economic systems.

Urban development affected mainly by foreign trade and small scale manufacturing industries did not fundamentally change the rural-urban balance in the country. The majority of inland cities

retained their traditional structure and life style. The lives of the vast majority of farmers in rural areas were not dramatically changed. Large scale industrialization and urbanization was not started in China as a whole until after World War II and the establishment of the new Communist government. However the long pre-industrial urbanization history, with its contradictions between the coast and interior, is extremely significant in any explanation of current settlement patterns, urban change and housing. The general urbanization process and level in China are determined by the country's economic development stage, but the specific pattern of the urban system owes much to its feudal political tradition.

The establishment of the new communist government in 1949 brought China into a new era. During the last four decades Chinese national development policy has undergone many changes. The development of the cities has been affected by industrial development, but also by other radical changes. As national development priority fluctuated between industrialization and agricultural growth, urban development has ebbed and flowed in response to national policy changes. Urban development was affected not only by industrial and agricultural development, but also by the specific strategies adopted for industrialization (Kwok 1982). Large scale political movements such as the Great Leap Forward (1958–60) and the Cultural Revolution (1966–76) also disrupted many government policies and affected the socio-economic system.

The process of industrialization in China differed from that in Europe or North America in several ways. Most importantly, industrial development in the west involved a long technological evolution process from very simple skills to complicated manufacture and modern technology. Each stage took a relatively long time before major new technology and industries replaced the previous form. Industrial development went through these several stages very rapidly in China, from first generation industry (during the 1950s) largely related to steel and iron to modern electronics. New stages were embarked upon before the earlier stage had been fully completed. While iron and steel were major development projects in the early 1950s, their shortage remains a great limitation on the country's manufacturing and building industries. Poor basic industrial conditions and the use of some relatively modern techniques is a main contradiction which impacts upon ordinary people's lives. The contradiction is illustrated by small, low standard and overcrowded houses which are equipped with modern electronic goods such as colour television sets, washing machines or refrigerators. Chinese

industrialization was also accompanied by a rapid increase in the total population and the expansion of cities and towns. Between 1949 and 1993 the total population doubled from 541.6 million to about 1.2 billion. The urban population increased from 57.6 million to 333.5 million. The proportion of the total population living in cities increased from 10.6 per cent to 28 per cent. The number of officially defined municipalities increased from 69 in 1949 to 662 in 1994 (State Statistical Bureau, 1994a) (see Table 2.1).

Chinese urbanization in the past four decades has involved increasing dominance by large cities, despite the government promotion of the development of smaller cities. In the early 1950s, there were only five cities with a population greater than 1 million. The total population in these cities was 10 millions – about 25 per cent of the total urban population. By the end of 1987 there were 23 cities of over 1 million population. These cities had a total population of 29.8 million – 40.3 per cent of the total urban population. In 1993 there were 32 such cities with a total population of 117.7 millions. These large cities are now the major administrative and industrial

Table 2.1 Number of cities and towns in China

Year	Settlements with city status					Number of towns
	Extra large (1 million plus)	Large (500,000–1 million)	Medium size (200,000–500,000)	Small (less than 200,000)	Total No of cities	
1952	9	10	23	115	157	5 402
1965	13					
1975	13					
1978					193	
1982	20	28	71	125	245	2 819
1985	22	30	94	178	324	
1989	30	28	116	276	450	
1993	32	36	160	342	570	
1994					622	16 702
2000					724	
2010					1 003	

* Population used for city classification include only non-agricultural urban residents.

Sources: Various sources in Chinese including: State Statistical Bureau's Urban Social and Economic Survey Team, 1995; State Statistical Bureau, 1994a; and *People's Daily* overseas edition.

centres in the country. As Table 2.2 shows, 22 out of 30 provincial level government seats are among these 32 very large cities. (State Statistical Bureau's Urban Social and Economic Survey Team, 1995)

Table 2.2 Non-agricultural population in major cities (end of 1993)

City name	Location	Non-agricultural population (1000)	Category
Shanghai		8 103.5	*
Beijing		5 983.1	*
Tianjin		4 671.0	*
Shenyang	Liaoning	3 724.3	†
Wuhan	Hubei	3 459.1	†
Guangzhou	Guangdong	3 037.0	†
Harbin	Heilongjiang	2 490.6	†
Chongqing	(Sichuan)	2 343.8	* (from 1997)
Nanjing	Jiangsu	2 187.7	†
Xian	Shaanxi	2 065.5	†
Chengdu	Sichuan	1 834.9	†
Dalian	Liaoning	1 818.1	
Changchun	Jilin	1 757.5	†
Jinan	Shandong	1 603.5	†
Taiyuan	Shanxi	1 601.2	†
Qingdao	Shandong	1 571.4	
Zibo	Shandong	1 269.5	
Lanzhou	Gansu	1 253.3	†
Anshan	Liaoning	1 240.0	
Fushun	Liaoning	1 233.3	
Zhengzhou	Henan	1 233.3	†
Kunming	Yunnan	1 218.8	†
Changsha	Hunan	1 169.8	†
Hangzhou	Zhejiang	1 151.4	†
Nanchang	Jiangxi	1 135.5	†
Shijiazhuang	Hebei	1 129.2	†
Urumqi	Xinjiang	1 108.1	†
Jilin	Jilin	1 098.9	
Qiqihar	Heilongjiang	1 091.6	
Tangshan	Hebei	1 087.0	
Guiyang	Guizhou	1 076.7	†
Baotou	Inner Mongolia	1 013.4	

Notes: * Cities directly under central government control at the provincial level.

† Provincial level government capitals

Source: State Statistical Bureau's Urban Social and Economic Survey Team, 1995.

Chinese growth after 1949 was not primarily orientated to overseas trade, or to command of world markets through imperial status. It was largely an attempt to create its own indigenous industrial infrastructure, and to meet demands for domestic consumption at a time of rapid demographic change and rising expectations. Large city development was included in national plans, and central and local decision-makers' choices. With limited capital government plans, not surprisingly, were to build new factories near major administrative centres. The poor transportation system was another continuing influence. Skinner's stress on regional development features rather than a national comprehensive system not only provides an explanation for pre-1949 city development, but also for the modern urbanization process.

The growth of Chinese cities has resulted both from rural/urban migration and from natural increase. The proportion of migration to cities has changed over time. During the period from 1952–60 with rapid industrial development the average urban population increase was 7.8 per cent per year. This was considered too fast by the government and it reacted by sending about 20 million people to the rural areas in the following years. The Cultural Revolution years saw a stagnation of urban population with a slow development of urban based industry. Between 1971 and 1978 urban population increase was controlled at about 2 per cent a year. The government thought this a reasonable rate which could be supported by agricultural development. Later economic reforms have undermined government's control of migration by opening up the food market which facilitates more people moving around the country. Temporary stays in urban areas became possible, allowing farmers to 'float' and to seek part time work in sectors such as building and service industries. For example, it was estimated that there were about 3 million so called temporary residents living in Beijing city alone in 1995. They put great pressure on the urban infrastructure even though they were excluded from most of the formal urban services (including housing) enjoyed by official urban residents.

The process of Chinese urbanization has also been affected by other factors. First, with the large territory and population, and with a relatively backward transportation system, the Chinese government continues the traditional attempts to feed its people through its own agricultural production. Urban population development has always been limited by how much surplus grain the countryside could produce. Because of the low level of mechanization in agricultural production and the high density of the rural population with limited

good quality farm land, the grain problem has remained an important element in government policymakers' decisions. Rationed grain supply for the urban population was introduced in the 1950s and was not removed until the late 1980s. This relates to a second factor – population registration and control of people's movement – which sets Chinese urbanization on a different road. The system of controls over personal mobility and domicile, though not always entirely watertight, lies at the root of China's peculiar pattern of urban growth during the 1960s and 1970s and through to the early 1980s. The ability to repress or (as in the early 1960s) reverse the urbanization process, is based on this.

The population registration system which was introduced in early 1950 and legally enforced in 1958, divided the entire population between those with urban residence (chengshi hukou) and those having rural residence (nongcun hukou). The purpose was not merely to monitor population movements, but to anchor people to their native places, and to prevent unauthorized movement from the countryside to the city. The strong influence on population movement of registration was helped by the rationed supply system. People could only obtain their major food supply where they were registered. People can move without paying attention to the registration office, but they can not carry enough food with them for weeks. This arrangement and the enforcement appears to be the main reason that China does not have the shanty areas surrounding the big cities as found in most third world countries.

Another distinct feature of the Chinese administrative system is its special arrangement for the Regional Autonomy of Minority Nationalities. China has 55 minority nationalities. Most of them live in the Northeast, Northwest and Southwest. They all have their own languages and life styles. After 1949 a special policy of regional autonomy for minority nationalities was established for those areas. There are five provincial level autonomous regions: Inner Mongolia, Guangxi Zhang, Tibet, Ningxia Hui and Xinjiang Uygur (Uighur). They were further divided into autonomous local authorities (see Table 2.3). In these areas autonomous local governments were set up to safeguard special customs and traditions.

CENTRAL GOVERNMENT

In China, the well developed feudal government system and the rule of the Emperors continued for over two thousand years until the

middle of the nineteenth century. However, in the past 100 years, important changes have occurred. Firstly the imperial government was brought down, and replaced by a republic in 1911. Following this central authority collapsed completely, and the country was divided among provincial warlords. Incapable of organized defence, the country became the prey of foreign powers and especially Japanese invasion. China's recovery began under the Guomingdang (Nationalist Party) which ruled from 1927 to 1949 and united significant portions of the country. It was the Communist government established in 1949 which created the first really effective central government since the middle of the eighteenth century.

These different governments involved different groups of people guided by different political ideologies (feudalism, capitalism or socialism). Each change could be seen to follow a radical revolution. However, all of the changes occurred within the Chinese culture, and were limited by the traditional Chinese approach in which centralized political and personnel control were key features. As a result the basic structure of the governmental system was very similar under each of these governments. Through this centralized administrative system, the ideology of Confucianism still influences the modern Chinese decision making process. In this, central government exercises political and personnel control over local government, and higher tiers of local government exercise control over the lower tiers of local government. These have remained characteristics of the Chinese administrative system throughout.

The Communist Central Government in China was organized according to the Central People's Government Organization Law passed by the First Chinese People's Political Consultative Conference (CPPCC) on 27 September 1949[1]. Under this Law Chinese Government is based on the principle of 'centralism on the basis of democracy and democracy under centralized guidance' – a people's democratic dictatorship (Central People's Government Organization Law, Article 2, in the Law Book of PRC 1949–50). The basic structure of the government was proposed by the CPPCC according to this principle and was written into the first Constitution of PRC passed in September, 1954. This Constitution outlined the basic structure of central government and provided guidelines for local government organization.

The central legislative body is the National People's Congress (NPC) – the highest organ of state power. Acting for it between sessions is the NPC Standing Committee. NPC deputies are elected for

five-year terms by the People's Congresses of Provinces, autonomous regions and municipalities directly under the Central Government, and by the armed forces. The NPC has had permanent committees on, for example, Nationalities; Law; Finance and Economics; Education, Science, Culture and Public Health; Foreign Affairs; Overseas Chinese Affairs; Internal Affairs and Justice. These special committees work under the direction of the NPC Standing Committee.

The NPC, in turn, organizes the four major parts of the government machine. The State Council, which replaced the Administration Council in 1954, is the executive body of central government; the Central Military Commission (CMC) of PRC, takes charge of state military affairs; the Supreme People's Court is the top judicial organ; and lastly the Supreme People's Procuratorate which is the central public prosecution organ. Theoretically speaking, the NPC is the Chinese parliament with supreme power. In practice, the situation is compromised by the power of the Chinese Communist Party (CCP). The nature of the socialist state and Communist Party control make these state organs work in a different and compromised style compared to Western practice. A person's power in the government is not necessarily determined by his or her position in the government but by position within the CCP Central Committee.

China has a written Constitution which can be changed by the NPC conference every five years. Constitutional revisions have always been important agenda items for the Conference. One of the recent changes gives the right to exchange state owned urban land, putting land use rights onto a market basis (*People's Daily*, overseas edition, 18 March 1988). This change is important for housing policies and development, and provides the basis for commercial property development during the 1990s, as referred to in Chapter 7.

THE PARTY SYSTEM

The Chinese Communist Party (CCP) is the ruling Party in China. The Central Committee of CCP, its Central Political Bureau and the Standing Political Bureau are the key organizations with real power in the centre. The leaders of the Communist Party are powerful in all central and local organizations. Ever since the establishment of the PRC the CCP has held to the theoretical position that the party makes policy but the State implements it (Goodman 1984). There was a time when all government administrative works were under the Party's

control and the Party boss automatically led the State. Under the economic reforms of the mid-1980s, the Party intended to divorce itself from other administrative bodies. The Party Constitution (different from the State Constitution of PRC) stated:

> The activities of the Party must be in the scope of the national Constitution and under the control of law. The Party must ensure that national legislative, executive and judicial organs, the economic, cultural organizations and social groups work positively, independently and cooperatively.

The Party Conference in 1987 endorsed this policy and made another move towards separation of the Party from the administration. But there are no indications that the Constitution making body – the NPC – controls the CCP. Rather all the evidence shows the NPC is strictly under the control of the Party. All important matters related to national development and personnel changes in central government (including the legislature, judiciary and executive) must be approved by the Party.

In Western political systems opposition parties play an important role in policy making. In China because of the dominant role of the CCP, other parties (eight of them legally exist) only have consultative roles. They do not form an opposition and were all allies of the CCP during the early years of struggle. These so called democratic parties make suggestions or criticize government policies through the People's Political Consultative Conference (CPPCC). The other way for them to influence the government is through their representatives on the National and Local People's Congresses. These parties' role is affected by the CCP's influence on their own organization and leadership. During the Cultural Revolution those parties' consultative role was ignored and their activities were banned. Since the end of the Cultural Revolution in 1976, these democratic parties have played increasingly important roles in the country's political life. But with the commitment by the CCP since the middle 1980s to the Four Basic Principles (insisting on Marxism and Mao Zedong's thought, the leadership of the Communist Party, the socialist road and proletarian dictatorship), there has been no place for a real opposition.

LOCAL GOVERNANCE

Before 1911 self-governing local government in China had no chance to develop. Governing the country was the business of the feudal ruler

– the Emperor. He and his ministers appointed local officials – agents of the Emperor. Local boundaries were well defined and local administrative centres developed in a fine hierarchy including *sheng* (province), *zhou*, *fu* (middle tiers) and *xian* (county). In each of these localities a major city or town served as the seat of administration. As an agricultural society, cities and towns, except those national capitals, were small and compact communities. The functions of local authorities and cities were to control the countryside, to keep order in the locality, and to collect revenues. Chinese local government has a long history of local peacekeeping and control, but little experience in supplying services. Before 1949 many functions, such as housing, education and health care, were not local government's concerns.

The Communist Revolution brought in a new government system. Modern functions were introduced. Local government was given a much wider range of powers. But new administrative bodies were mainly added on to the old framework without careful examination of the needs of modern industrial development. Most local boundaries were kept and existing local administrative centres were used. Furthermore central control still played a major role and this was reinforced by the planned economic system operated from 1953 to the mid 1980s. Most key figures in local government and its departments were, and are still, selected from above (or by the Party) rather than directly elected locally.

Structure

The Chinese Constitution (1982) does not define how many tiers of local government there should be. But it does define the localities which could have local government. These are provinces, municipalities directly under central government control, cities, urban districts in large cities, counties, rural townships and towns (Constitution of PRC, 1982, Section V, Article 95). Apart from these local authorities, local governance and control are also exercised by the state owned enterprises and institutions in urban areas.

Province and county are the two major tiers of local government[2] inherited from the old rural based system. Between them there is a middle tier of authority – the Prefecture – in charge of several counties as an agent of the provincial government. The seat for such authority is usually located in a middle- or small-sized city. In this system, county and city were separated on the same level and both came directly under the control of the provincial government or its

Table 2.3 Administrative divisions in China at the end of 1994

Tier 1: Province level	Tier 2: Prefecture level		Tier 3: County level		Total number of cities (all levels)	Total number of urban districts (in all cities)
	Prefectures	Cities	Counties	Cities		
North China						
Beijing*	0	0	8	0	1	10
Tianjin*	0	0	5	0	1	13
Hebei	11	10	139	23	33	34
Shanxi	11	6	100	14	20	18
Inner Mongolia†	12	4	84	15	19	16
Northeast						
Liaoning	14	14	44	15	29	56
Jilin	9	8	40	18	26	19
Heilongjiang	14	11	68	18	29	64
East						
Shanghai*	0	0	6	0	1	14
Jiangsu	11	11	64	28	39	42
Zhejiang	11	10	64	23	33	23
Anhui	16	10	68	10	20	35
Fujian	9	7	63	15	22	18
Jiangxi	11	6	84	13	19	15
Shandong	17	14	95	32	46	44
Henan	17	13	116	23	36	41
Central/South						
Hubei	12	9	69	24	33	32
Hunan	14	10	92	19	29	30
Guangdong	21	21	78	30	51	42
Guangxi†	14	7	81	9	16	26
Hainan	2	2	17	4	6	3
Southwest						
Sichuan	23	13	174	22	35	45
Guizhou	9	2	80	9	11	6
Yunnan	17	2	123	13	15	4
Tibet†	7	1	77	1	2	1

Table 2.3 (continued)

Tier 1: Province level	Tier 2: Prefecture level		Tier 3: County level		Total number of cities (all levels)	Total number of urban districts (in all cities)
	Prefectures	Cities	Counties	Cities		
Northwest						
Shaanxi	10	5	92	8	13	15
Gansu	14	5	75	8	13	10
Qinghai	8	1	39	2	3	4
Ningxia†	4	2	18	2	4	6
Xinjiang†	15	2	85	15	17	11
	333	206	2 148	413	622	697

Notes: * Cities directly administrated by central government
† Autonomous regions
Source: State Statistical Bureau, 1995, p.1.

agent – the prefecture. With the economic reform in the 1980s, the 'city region' idea was brought in. Most prefectures were abolished, but the cities which had been the seat of the original prefectures were upgraded to a formal tier of local government between province and county. The surrounding rural counties are now under the city government's control. This policy is known as 'the city leads the counties' (*shi dai xian*). By giving the city the power to organize the local economy it was hoped that better urban and rural, industrial and agricultural relations would be established. In some remote backward areas the prefecture seats are still too small to fulfil this role and the prefecture still exists.

Under the county government, there are rural townships and towns. A rural township is different from a town. The township is a local government unit which controls about 100 villages. Its administrative seat is not necessarily a town, but a larger village in most cases. A town is a relatively large local community in which a government could be established. This kind of town, even if small in scale, has usually had a long history as a local market place.

In the 1980s because of the development and the increase of defined cities, municipal government became an important element in the administrative system. There are different levels of city governments.

There are four province level city governments directly under central government control (Beijing, Shanghai, Tianjin and Chongqing). The last one was given such status in March 1997 to coordinate the development of the Three Gorges Dam on the Yangtse river. Then there are prefecture level city governments (most provincial capital cities and cities with over 1 million people) and county level city governments. Towns at township level form another level of urban government.

'Cities' in the Chinese administrative system are not entirely urban areas: usually substantial rural areas are within their administrative boundary under the city led counties system. The purpose in the past was to keep suburban land under city control for further development and for supplying basic food products such as vegetables. The new idea is to enlarge the city government's power to manage economic development at a regional level. In the early 1980s most cities enlarged their administrative areas. However, the very real differences between urban and rural populations were not abolished. To include rural counties within a 'city' does not give those people in the rural parts the right to go to live in the central city. The only benefit is for the city to exploit the rural area's resources and materials.

The city governments are not the only tier of local government in urban areas. Large cities are divided into urban districts. For example, Beijing – the national capital city – included eight rural counties, and an urban area divided into ten urban districts. Each of these has a local government. Under the urban district, there are two other tiers of organization. The subdistrict office, as the agent of the district government, controls a block or several streets and under this level are residents' committees – self organized bodies to help the subdistrict office on street cleaning and neighbourhood affairs at street level. In smaller cities, there is no district level government, so the subdistrict offices and residents' committee are directly under the city government's control.

The internal structure of Chinese local government is quite similar to the structure of central government. The Local People's Congress is the elected body. Its work is:

- to ensure the practice of the Constitution, laws and other central government regulations in the locality;
- to adopt and issue local regulations and by-laws within the limits of the Constitution and central government laws;

- to examine and decide on the plans for economic and social development of the locality;
- to elect and dismiss the main executive positions, such as the head and deputy of a province, or the mayor and deputy mayors of a city;
- to elect and dismiss the chief judge of the Court and the chief procurator of the procuratorate. (Constitution of PRC, 1982, Article 99–101)

The Chair of the Local People's Congress is not the head of the local government. He or she, however, has the power to organize the Congress and elect the executive body, such as the head of the province or the mayor for a city. Those on the executive body choose the directors for local departments. The importance of the position of chief executive also comes from the way that he or she is chosen. It is one of the major jobs of the local Communist Party Committee to 'recommend' the candidates for all key posts for the Local People's Congress and the executive body[3].

The responsibilities of the executive bodies, the local government, include:

- to manage, within the limits of the laws, the affairs of economy, education, science and technology, culture, health, sports, urban and rural construction, finance, civil administration, public security, nationality, justice procuratorate, and family planning;
- to issue decisions and orders;
- to choose, dismiss, train, examine, reward and punish administrative workers;
- to lead its departments and lower level local governments and supervise their performance;
- to report on their work to the local People's Representatives Congress. (Constitution of PRC, 1982, Article 107–110)

With this understanding of the structure of Chinese local government, one must bear in mind that within such a vast country, different structures may exist in different areas and at different times. In recent decades the organization, functions and procedures have changed many times. In the Cultural Revolution, for example, all local government bodies were replaced by Revolutionary Committees and all laws of both central and local governments were discharged by these Committees.

Functions

The functions of different tiers of local government in China are different from most Western systems. All levels of local governments are involved with almost all functions. The division between different levels of government is not function-oriented, but involves the division of responsibility within each function. To take the hospital service as an example, the Provincial health department is the functional department of the provincial government, and is also under the direction of the central Health Ministry. Its responsibility is to supervise the health departments in the lower levels of government in the province such as those in the cities and counties. This responsibility is quite similar to that of the Ministry. Another of its responsibilities is to manage the provincial hospital which includes funding, personnel and so on. Down at the city and county level, there are similar departments as well. Their responsibilities are the same as the provincial one: to supervise the lower level health authorities and run the hospital at its own level. At the bottom level there may not be a hospital and a health authority, but there must be a clinic or such like, and a person or a few persons taking charge of the health function in the area. This example illustrates that the Chinese system is based on vertical links. Flows of information and instruction are from top to bottom. The result is a fragmentation of provision at the local level. Furthermore, people who work in different institutions receive different standards of services such as housing. This not only affects the adults, but their children as well. To understand the housing system in China, it is necessary to take into account these basic characteristics of the administrative system.

Finance

Because there are no legal and fixed functional divisions between central and local government, and between different tiers of local government, Chinese local government finance is complicated. When the new government was established in 1949, in order to curb inflation, stabilize prices and balance revenue and expenditure, a highly centralized financial management system known as the system of unified receipts and payments was instituted by the central authorities. In this system all revenues and expenditures were included in the state budget, all revenues were delivered to the central authorities and all

expenditures were paid by them. At the end of financial year any local surplus was handed over to the centre.

During the First Five Year Plan period from 1953 to 1957 in order to enable local government to finance necessary development in their own areas, some financial powers were given to local government along with the decentralization of some public institutions and enterprises. The new arrangement known as the system of unified leadership and management at different levels diversified management at the central, the provincial (autonomous regional and municipal) and the county levels. Local government income and expenditure at that time was as follows:

- Local government income:
  - charges from local economic, trade and recreation activities
  - property taxes
  - locally controlled state enterprises' profits
- Local government expenditure covered:
  - locally controlled state enterprises' capital investment
  - local economic construction expenses
  - local social, cultural and education expenses
  - local administration.

This system did not break from the limits of unified receipts and payments because the local budget had to be approved by the central government every year. Between 1953 and 1957 about 75 per cent of income was controlled by central government and only about 25 per cent by local government (Zuo *et al.*, 1984).

The major changes in the following period included firstly decentralization and then centralization. The Great Leap Forward (1958–60) was a period of dramatic decentralization in which local government was given much more power to manage the local economy and other matters. Local expenditure was determined on a five-year basis according to income. Most state controlled enterprises were put under the control of local government. This was followed, between 1961 and 1965, by another period of centralization. Generally speaking, the ten years of the Cultural Revolution (1966–76) resulted in financial decentralization again. However, Chinese decentralization did not mean that local government controlled everything. Since 1949 local governments could neither levy taxes nor spend revenue simply as they chose. They had to collect all fiscal revenues in their area and

forward a predetermined proportion to Beijing. The division of state budget income between the centre and the localities was not based upon any firm set of rules, but rather upon ad hoc arrangements which formed a pattern over a number of years. The share of total tax revenue allocated to a province was subject to unpredictable variation every year, and no province could have any certainty about its future income. Thus the beginning of every year saw a round of intense haggling between the Ministry of Finance and the provinces. Moreover, even though various types of expenditure were their responsibility, local governments were subject to administrative checks by central government before they could actually spend the money. Thus they had no direct interest in whether they ran a surplus or a deficit. Balancing fiscal income and expenditure was a matter for the centre alone.

After 1978, with the progress of the country's economic reform, the financial system was also reformed to give the localities more financial reserves, greater decisionmaking power and to release their enthusiasm for economic development. A system was instituted in 1980, under which revenue and expenditure were divided between the central and the local governments under three headings.

- fixed incomes: central fixed income includes the profits or gains made by the centrally controlled enterprises and establishments and custom duties (including industrial and commercial tax levied by the customs and railway authorities); local fixed income includes profits and gains made by locally funded enterprises and establishments and other local taxes.
- apportioned incomes between central and local governments: other industrial and commercial taxes.
- adjusting income controlled by central government.

The centre retained administrative control over the way in which different categories of income were divided between itself and the provinces but not over the balancing of local revenue and expenditure. The localities balance their budgets over a certain period (one or two years prior to the budget year). If the revenue exceeded the expenditure, the surplus had to be turned over to the centre according to a fixed ratio; if the expenditure exceeded the revenue, the deficit was made up by leaving part of the industrial and commercial tax to the localities according to a fixed ratio. The better-off provinces received only fixed income and a certain proportion of the apportioned

incomes, but no adjusting income. Poor provinces received more adjusting income.

These arrangements were decided on the base of 1980 and the government aimed to sustain this arrangement for five years. But it did not endure so long. In 1981 and 1982 many provinces' income sources were changed and a further adjustment was made in 1983. From 1984 on the government made a move to change the enterprises profit system to a tax system. The local government finance structure was also changed in 1985 (Xu and Xiang, 1987 pp.68–76). Within the new structure the major part of the old system remained but there were changes in the sources of fixed income, and the ways fixed incomes were divided. In the old system most of these had come from profits and in the new system from taxes.

This negotiable contract style of division of central and local income increased local control and posed problems for central government. Relatively little income goes directly to the centre. In the later 1980s about 80 per cent of state revenue came from local revenues. The central authorities relied more and more on the willingness of local authorities to hand over surplus revenues to them. Since 1984 there have been demands for central government's share of state budget expenditure to be raised. In the following years arrangements were made for the central government to collect taxes directly from several central economic agencies and enterprises.

The economic reforms of the 1990s further eroded central financial power. In 1992, the central fiscal income was about 38 per cent of the national total (*People's Daily*, overseas edition, 27 August 1993, p.1). This led central government to take dramatic measures to increase its share of income. A new tax and collecting system were introduced in 1994. This system not only specified clear tax category divisions between central and local government, but also established two different kinds of tax collection and administration systems: the state tax system and the local tax system. The state tax system is headed by the Ministry of Finance and the Central State Tax Bureau. It has state tax bureaux or offices at every local government level and they are independent of local governments. Local tax bureaux and offices are local financial organizations under local government control and supervision by the Central State Tax Bureau. Taxes collected by the state system include production tax and customs tax. Some other large and stable taxes such as value-added tax are shared between central and local government. To avoid over centralization, in 1994 Central government promised to return some tax incomes to local government

after central expenditure had been met. (*People's Daily*, overseas edition, 3 August 1994, p.1)

Central government policies always affect provincial finances directly. Financial arrangements below this level are more complex. Central government gives provincial governments the power to make their own policies and decide the further division of income and expenditure with other levels of local government such as counties and cities.

To compare Chinese local government finance with Western systems, some distinctive differences can be found. Firstly, Chinese local government's role is one of production and the power to manage local economic development is much stronger. In an economy dominated by a large public sector, local governments are not only service suppliers, they are, more importantly, owners of some state enterprises and other businesses. To manage these is the first priority. Secondly, Chinese local government finance is flexible. With the economic planning system, government financial divisions are determined by state and local plans which involve bargaining between government officials who represent different tiers and regions. This leaves many opportunities for mis-management and corruption, while arguably helping balanced development between regions which still show great differences in production and living standards.

CENTRAL HOUSING AUTHORITIES

There was no central organization directly responsible for housing at the beginning of the Communist era. From 1949, a Land Policy Department was established in the then Ministry of Internal Affairs. This was responsible for land policy and land acquisition and allocation mainly in urban areas. The first central housing authority, The State Housing and Property Management Bureau in the then Ministry of Urban Services, was set up in 1956. Similar organizations were established at local levels by provincial and city governments. However, land related policy was retained by the Ministry of Internal Affairs. Although this separation of land and housing has always been seen as a problem, it has continued. In 1958 with the nationalization of urban private housing, the then Second Ministry for Commerce and Trade became involved in housing policy development and administration. In local areas housing reform offices were established within or outside city Housing and Property Bureaux.

In the middle 1960s, the State Housing and Property Management Bureau was upgraded and separated from other ministries as an independent central organization directly under the control of the State Council. As with many government departments, this Bureau was discontinued during the Cultural Revolution from 1966–76. In the reorganization after the Cultural Revolution, housing was viewed as part of construction and as one of the most important government functions. A Housing and Real Estate Department was established under the State Construction Commission. This was one of several super ministries. In 1982, the Commission was renamed the Ministry of Urban and Rural Construction and Environmental Protection. Four years later it was renamed the Ministry of Construction.

The Ministry of Construction has very complex responsibilities[4]. In 1995 these included: establishing development strategies, long term plans and policies for building and construction, housing and property development, civil engineering and public facilities industries; designing various construction and development standards and the state control index; developing legislation for engineering construction, urban and rural construction and other related industries; supervising the implementation of central policies; supervising and managing urban planning, surveying and civil engineering; providing the State Council with approval reports on urban plans submitted to the State Council; participating in territory planning and regional planning; managing and maintaining urban planning documents and archives; directing and supervising urban utility development and improvement; taking responsibility for housing and property development and management; facilitating, developing and regulating national construction and property markets; directing and pushing forward urban housing development; determining housing provision standards for civil servants; developing policies to solve housing problems for or low and middle income families; supervising rural development.

The complex functions are indicated by the internal departments and bureaux' structures. Currently the Ministry has the following major departments:

General Office
Department of Planning and Finance
Department of System Reform and Legislation
Department of Sciences and Technologies
Department of Construction Industry
Department of Surveying and Design

Department of Construction Inspection and Management
Department of Development and Design Standards and Index
Department of Urban Construction
Department of Urban Planning
Department of Real Estate Management
Department of Rural Construction
Department of Foreign Affairs
Department of Personnel and Education
Party Organization of the Ministry

In 1993 the Ministry had 410 full members of staff with 1 Minister, 5 Deputy Ministers and 50 departmental level directors and deputy directors. Although all these departments are related to housing development, the key central urban housing policies were developed by the Department of Real Estate Management. This department in 1995 had several sections: General Office; Housing Development; Real Estate Development; Market Management; Housing management and maintenance; Housing finance; Housing reform. Housing authorities at local level, particularly at the provincial government level, had a similar organizational pattern. Housing is generally perceived as part of state construction rather than of social services.

CONCLUSION

The provision of housing in all countries is fundamentally affected by the social, demographic and economic context and by the nature of the political and administrative systems within which it is provided. In the Chinese case the sheer scale of the country imparts important elements to any account of housing. There is enormous variation in geographical and climatic circumstances, in levels of development and consequently in the nature of housing problems and provision. China as a whole has experienced industrialization at a late stage. It has been a predominantly rural country but this book focuses upon the urban areas which have grown with industrialization in more recent years. The massive growth in urban areas and large cities is a feature of Chinese history in recent years. The scale and concentration of urban growth in a short time period is remarkable and has posed particular problems for housing provision.

The process of industrialization has been planned and managed. The management of migration through the registration of population

has been a major factor. While this has been designed principally to prevent the collapse of the agricultural sector, it has also had the effect of enabling some of the worst features of urban growth which characterize developing countries to be avoided. Nevertheless, there are very large numbers of temporary residents and a floating population and housing conditions in urban areas have been affected by massive growth and concentration.

The period of industrialization since 1949 has been managed under a communist government and it is possible to identify important changes in the approach to planning and managing the economy and different phases in the operation of governments since 1949. However, it is important not simply to acknowledge these changes, but to also identify significant continuities in the approach to government. The tradition of centralized bureaucracy and division of responsibility within functional areas between different levels of government have remained under the Communist regime and key features of the local and central government system reflect continuity with earlier systems.

Some of the issues for reform relate to these longer traditions, but the recent phase of reform has also been associated with the introduction of market approaches into the economy and this has particularly focused upon a key feature of local governance in China. This is the significance of state owned enterprises. These enterprises have a considerable autonomous role in production and in the provision of services for their workforce. These services include the provision of housing, and this housing provision has been made close to the place of work. The process of reform then does not just involve the reorganization of central government or local government bureaucracies in the way that is familiar in Western economies, but involves a review of other arrangements in which state owned enterprises and government bodies have a much fuller role in the provision of services for their employees. The holistic role of state enterprises in local governance is of key importance in the provision of housing and consequently in subsequent reform.

3 The Beginning of Urban Housing Policy 1949–56

BACKGROUND

Little detailed research on housing was conducted in the early years after the Communists came to power in 1949. 'Poor' and 'backward' were the two words usually used by Chinese officials to describe the living conditions of their ancestors. Although many Western visitors to China were surprised by the scale and structure of the palaces and other historic buildings (gardens, temples, pagodas), the housing conditions of the ordinary Chinese were very poor during the long period of feudal control. Even in some geographically favourable areas with advanced agriculture such as the Guanzhong Plain around Xian – the long time national capital city – traditional housing consisted of simple single storey buildings of sun-baked bricks and timber. The better houses had tiled roofs; the others straw roofs. Sanitary and health conditions were also very poor. Since the costs involved in building large houses were high only rich families and the landlord class could afford these. Most ordinary families lived in overcrowded conditions. In most places, although different generations had different bedrooms, they shared other facilities (if there were any) and ate in the same kitchen. In some other areas, particularly some minority nationality areas, several generations had to live in a single room. Grandparents, parents, brothers, sisters, in-laws, uncles, aunts, nephews and nieces all slept in one *kang* – a large heatable brick bed.

Chinese traditional housing varied with the local physical environment and human production activities. From the south to the north China spans several distinct climatic zones. From the east to the west, the physical and climatic conditions become harsher and drier. In the south timber and bamboo were the major traditional building materials. In the coastal areas, stone was easily found for housing construction. Houses in these areas were a shelter from rain and wind. Toward the north, timber was the major material but it was not always easily accessible. Consequently mud or sunbaked bricks were widely used for house building along with wooden frames. Short rainy seasons and a

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lower water table made this kind of housing possible to sustain for a few decades. Thicker earth walls were good for keeping the rooms warm in the winter and cold in the summer. In variable landscape areas such as the Mountainous regions and the Loess Land Plateau, caves were a major form of shelter. Toward the west into the dry grass land and pastures and particularly in the Mongo minority area, people lived in portable tents (Mengubao).

Traditional urban housing in Chinese towns and cities was similar to that in the surrounding rural areas. In Xian for example houses were built with local materials such as timber and sunbaked bricks. Courtyard layouts were typical for the richer households. However due to destruction in war time and to population increase, very few of these family based courtyards remained in 1949 and large houses had been divided between several families. The physical condition of these dwellings had decayed for years. The life time of these buildings was also very short. Although the city has over 2000 years history, very few buildings were over 200 years old. Most older buildings in good condition were not houses but were religious buildings such as temples, towers and wall gates.

In spite of the poor quality of housing in general, Chinese people had developed very complex and advanced building techniques during their long history. These, however, were only applied to the construction of palaces and courtyards for the rich. In Beijing, the Forbidden City with over 9000 rooms is one of the best examples of Chinese architectural achievement during the Ming (1368–1644) and Qing (1644–1911) dynasties. At the local level, rich landlords and officials built large housing estates for their families and servants. These had carefully designed layouts, many with private gardens. However, across the whole country about 90 per cent of the population lived in very simple housing.

Major housing changes occurred only after the establishment of the People's Republic of China. But from the beginning of the new government and up to the 1970s, housing improvement and development were limited to urban areas and linked to industrial development. In the rural areas, apart from the destruction and redistribution of bigger houses owned by the landlord class in the 1950s and the early 1960s, no substantial housing improvements were made. A rural housing boom began after the implementation of the rural economic reform programme in 1978. To study housing policy and practice in China, it is important to bear this urban and rural difference in mind. From this chapter to Chapter 7 the focus is on urban housing.

URBAN HOUSING BEFORE 1949

One of the important factors contributing to today's urban housing problems in China was the extremely poor housing stock in cities before 1949. During the 1930s and 1940s, China had experienced several major wars firstly between different warlords, then between the Chinese and Japanese, and finally between the Communists and Nationalists. Constant military destruction worsened housing conditions in many cities. In Changsha, Hunan Province, 77 per cent of the total residential area was classified as slums. In Nanjing some 200 000 people were crowded in more than 360 slums known as penghuqu (shack areas). The slums of Nanjing did not cover large areas; they were primarily small enclaves of 50 or so families, but these enclaves were widely distributed throughout the city, with particularly heavy concentrations in the city's southern part. In Chengdu, Sichuan Province, living space in the slums averaged only 1.6 m^2 per person.

Beijing had a housing construction floor space of 13.5 million m^2 metres in 1949. Most were single storey houses built during the Ming and Qing period with timber and bricks as the main materials. Only about 6 per cent were multi-storey tenement flats. Housing in the central area around the Forbidden City was of good quality. The layout of the housing had a particular courtyard design known as *shiheyuan*. Houses inside these shiheyuan provided spacious rooms. Most of these shiheyuan were occupied by rich families. Ordinary citizens lived in the peripheral areas in poor quality houses which were often very overcrowded. A survey in 1928 of 177 working class families revealed that the average number of rooms per family was 1.56 and the average number of persons per room was 2.5. (Zheng *et al.*, 1988, p.6) Around 1949, the average floor area per capita in Beijing was 4.75 m^2. Two-thirds of the houses were dilapidated; refuse and rubbish was not always collected. One of the worst slums in Beijing was the Dragon Beard Ditch (Longxugou) where a number of drainage ditches were used as garbage dumps. Mosquitoes and flies swarmed over the area. Undrained and smelly storm water often overflowed the ditches and flooded the shacks (Ma and Hanten, 1981).

Shanghai, the largest industrial and commercial city, had many housing problems before 1949 mainly due to a dramatic increase in population. Between 1880 and 1930 the population had already increased from 1 million to over 3 million. The Shanghai Bureau of Social Affairs conducted a living standard survey of 305 industrial

Table 3.1 Industrial workers' housing in Shanghai, 1930

Type of dwelling	Residents per dwelling	Total residents	%
a) 2-storey with court	15.08	154 400	20.4
b) 2-storey, no court	12.95	234 000	30.9
c) 1-storey, tile roof	8.80	244 000	32.2
d) 1-storey, straw roof	6.17	124 000	16.4
Totals		756 400	100.0

Source: Reynolds, 1981, p.233.

worker households in 1929–30. This revealed that the average living space per capita was 3.22 m^2. The survey distinguished four types of housing in the city: (a) 2-storey with court; (b) 2-storey, no court; (c) 1-storey, tile roof; (d) 1-storey, straw roof. (see Table 3.1) In terms of floor-space, these dwellings were roughly comparable. But their quality varied enormously, declining in the order shown in Table 3.1. The first group of houses benefited from a courtyard of about 15 m^2 and were superior to the other categories with more widespread electric or oil street lamps, floors of wood (or cement) rather than mud, more readily available tap water (although even there, one tap would be shared by a row of houses), and substantially more window-space per square metre. The straw-roofed huts with bamboo or mud walls were occupied by 'the absolutely destitute' – impoverished peasants from north of the Changjiang river who drifted into Shanghai and set up squatters' huts on the outskirts of the city or along the Soochow creek. In contrast to the other three categories, these huts had no windows, no floor covering, and no drainage or sewers. (Reynolds, 1981, p.233)

During the Anti-Japanese War (1937–45), the foreign concession areas in Shanghai became shelters for war refugees. The population increased to 6 million. Speculators took advantage of this housing shortage and added attics to existing buildings or erected simple and poor quality shelters in open spaces for renting. The urban poor and homeless also set up temporary shelters (*penghu* – slum) around the industrial sites. In 1949, there were 23.59 million m^2 of housing in Shanghai. Of this 1 million m^2 (4.3 per cent) was of higher standard apartments, 2.24 million m^2 (9.5 per cent) of houses with gardens, 4.69 million m^2 (19.9 per cent) good quality new *linong*[1] housing,

12.42 million m^2 (53 per cent) of poor quality old *linong* housing and 3.23 m^2 (13.7 per cent) of simple structure slum housing. The population density was low in garden housing and apartment areas and very high in slum and old *linong* housing areas. About 10 per cent of richer families and foreigners lived in better housing and occupied one third of the housing stock. Over 90 per cent of the population were crowded in two thirds of the poor quality housing areas (Zheng *et al.*, 1988, p.7 and Chen, 1994, p.19). Statistics in 1949 show about 180 000 households (1 million people) crowded together in slums, and many others packed in garrets and attics (*gelou*) with virtually no running water or sewage. There were 322 slum areas in the city each with more than 100 households. Since Shanghai was one of the major cities with foreign concessions, housing in the city was influenced by the presence of Westerners. In the concession areas, there were Western-style houses with gardens and high-rise tenement flats, occupied by foreigners or rich local people.

Xian, as an example from the inland central area, did not suffer direct physical damage from either the Western imperialist invasions of the nineteenth century or the Japanese invasion from 1937 to 1945. Nor did it have the continuous effect of Western involvement and concessions. It was, however, an important regional and historic centre, involved in many civil disputes. In 1911, with the fall of the last imperial power, good quality housing in the Qing government administrative area and the area occupied by the Manchu people in the North-eastern part of the city (about one quarter of the total built-up area) was burned to the ground by the new War Lord authority. In other areas, approximately 110 000 people lived in single-storey housing made of earth, bricks and timber with no piped water supply, not to mention other facilities. The influx of refugees from the eastern part of the country, particularly Henan Province, during the Japanese invasion from 1937 to 1945 made the housing shortage even worse. When the Communist government came to power in 1949, 142 000 households with a total population of 714 000 lived in the Xian area. About 56 per cent of the total population lived in the central built-up area. The remainder were mainly engaged in agricultural production and lived in the suburbs of the city (CPEMD of Xian, 1982). At the end of 1949, Xian had a total floor space of 3.96 million m^2, of which 2.32 million m^2 was used for residential purposes (Housing and Property Department of Xian, 1982). This implies an average floor space of 16.2 m^2 per family and 3.2 m^2 per person. The figures for

Table 3.2 Private property owners and housing distribution in Xian in 1956

Size of house (m^2)	No. of households	%	Total floor space 1000 m^2	%
Under 100	13 944	62.6	526	21.0
100–200	4 922	22.1	709	28.2
200–300	1 978	8.9	490	19.5
300–400	649	2.9	231	9.2
400–500	314	1.4	147	5.9
500–1000	383	1.7	259	10.3
Over 1000	87	0.4	148	5.9
Total	22 277	100.0	2 510	100.0

Source: Xian City People's Committee (1956a).

livable space would have been even lower, but because there were no published statistics on the numbers of dwelling units, it is very difficult to know the detailed pattern of housing distribution at that time. However, a Report entitled, *The Plan for The Socialist Transformation of Private Housing in Xian*, produced by the Xian People's Committee in 1956, provides information which can be used to estimate the general pattern of housing distribution (Table 3.2).

The Report indicated that in 1956, just before the move for nationalization (see Chapter 4), the private housing stock in the city contained an aggregate floor space of 2.51 million m^2. This accommodation was owned by approximately 22 300 households. These property owners formed only 9 per cent of the all households (426 700) in Xian in 1956, but were in control of more than half of the residential floor space within the city. Approximately 63 per cent of the owners had less than 100 m^2 floor space each. Their properties accounted for only 21 per cent of the total floor space of the private stock. At the other extreme, there were fewer than 800 owners (3 per cent) with holdings of over 400 m^2. These large property owners controlled 22 per cent of the total private housing stock between them. These data suggest that many small house owners were providing rental accommodation within their own dwellings. A household with 100 m^2 may not seem very privileged by Western standards, however, these families were much better off than most residents of Xian at that time.

A POLICY FOR URBAN STABILITY

It was generally assumed that the Communist government would attack private property owners immediately after coming to power. However, the Chinese Communist government took no immediate direct action on the urban private housing market when they came to power in 1949. Faced with severe urban housing problems, the government employed a very different approach in urban and rural areas. In the rural areas, land reform effectively destroyed landlord ownership (see Chapter 8), and gradually established collective ownership of rural land (both residential and agricultural). Where landlords did not live in the property it was confiscated and redistributed to the local poor peasants. In urban areas a much more careful approach was adopted. As early as 1949, before the formal establishment of the government, the military authorities had issued instructions to treat urban land and property ownership differently. The first housing-related policy was issued on 11 August 1949 through an editorial commentary in the *People's Daily*, the most important communist newspaper. This indicated that the Communist government would:

- respect general private property ownership, protect the legal transactions and prevent illegal taking over of private properties by public bodies or any individuals;
- take over properties of major capitalist enterprises and confiscate properties owned by anti-revolutionaries;
- allow private sector housing for renting, but ban speculative development of land;
- respect the lease contract between landlords and tenants and protect the interests of both landlords and tenants;
- protect the urban housing stock and encourage landlords to maintain and repair their housing;
- levy a reasonable property tax. (*People's Daily*, 11 August 1949)

These policies were intended as long-term measures and were confirmed by central government in August 1950 in a document, *Suggestions to the Current Urban Housing Problems* (State Land Policy Bureau, 1950). They were justified officially on the grounds that there were two different kinds of exploitation of housing in urban areas. The first kind was general *capitalist exploitation* in which ordinary landlords rented out their properties and had reasonable, fair contracts with their tenants. The rent charged generated a return within

the range of general interests rates. The new government was to protect this kind of business because urban houses were the output of human labour and were a particular kind of product in a commodity society. Urban landlords were seen as different from the rural landlords. They exploited tenants by charging rent for housing, a kind of capitalist exploitation, but this was different from the rural landlords who exploited farmers by charging them rent on natural resources (the land), on which there had been no capital investment. Furthermore urban land could have changed hands many times and this complicated the land ownership issue. The second kind of exploitation in the urban areas was *feudal* or *bureaucratic capitalism* where landlords controlled large numbers of dwellings. This had consequences in terms of high rent and monopoly. This kind of housing was to be confiscated.

This approach can also be explained by the rural background of the Chinese Communist Party. For many years before reaching power, the Communists were rural based. The main support for them came from the large number of poor farmers. Over the years they had gained experience and confidence in handling rural affairs. In the urban areas the logical support would come from the working class. At a very primary stage of industrialization, the working class was small and not well organized in most of the major cities. The urban social classes were much more complex and it was necessary and essential to avoid disturbance of housing in order to maintain urban stability. The policy was intended to reassure the majority of the urban population that their homes and basic living would be protected. Only the housing of a small number of anti-revolutionary forces would be confiscated. The involvement in the Korean War was another reason for the delay in the development of remedial housing policies within the cities. A lot of war time materials needed to be produced by existing factories which were located mainly in the urban areas.

The policy on redistribution of confiscated housing in the urban areas differed from that of rural land reform. Rather than giving the housing to the poorer sectors of the population, the confiscation in urban areas brought the properties into public ownership – a process of municipalization. The significance of the policy for the housing market was that it stopped private house building as a business. Although the housing market was protected, the supply of new privately built housing dried up. The policy did not ban all forms of private building, but the political consequences of being perceived as a member of the landlord class or as engaged in 'speculative' activities

drove most private housing developers out of business. People only had the confidence to build private housing on a self-help basis and for their own use.

CONFISCATION: THE BEGINNING OF MUNICIPAL HOUSING

The confiscation and requisition of housing and other properties owned by the old government and by the bourgeoisie who collaborated with foreign invaders was carried out in communist controlled cities before 1949. There were no formal, legal procedures to guide these transfers initially, and many problems were reported. A *Resolution on the Urban Public Sector Housing Problems* issued by the Chinese Communist Party Central Committee in December 1948 admitted that:

> there were many housing management problems in some newly occupied cities. Many communist civilian and military organizations struggled with each other to take control of empty housing stocks and furniture. Some small organizations took more housing than they needed and caused waste and destruction. Some higher ranked officials took newly acquired housing into their private estates. When military groups moved out of a city, they took much portable furniture and electrical instruments with them and left the housing empty to became homes for squatters. These problems had negative effects on urban society and caused dis-unity in the party. (CCP Central Committee, 1948)

The Resolution urged all military authorities and new city governments to set up Public Sector Property Management Committees to carry out confiscation and redistribution. No organization was allowed to occupy urban housing illegally. After confiscation, the Management Committee was to distribute the properties according to the needs of each organization based in the city and to avoid waste. Surplus properties were to be used as public facilities for cultural and educational uses. The Management Committees were allowed to use 'a small number' for renting to urban residents.

This Resolution set the guidelines for Communist Party organizations to adopt a new urban working style. During the war years, collective or personal offices were set up in different locations – for example

in villages. The offices of higher rank officials were usually also their residences. Many of them had never had any urban office work experience. The CCP Central Committee decided that the rural style of working and housing distribution should not be adopted in the cities. It called for concentrated office areas and residential areas with no one allowed to work from home. Apart from people coming from the city in which they worked and with a family home in the city, every one was to sleep in residential dormitories. The Resolution also required public organizations and individuals living in the public dormitories to pay a rent to the Property Management Committee for maintenance, management and new construction. Based on this Resolution, the North China People's Government, which covered the newly occupied north China Plain and cities such as Beijing and Tianjin issued instructions for the unitary management of urban public sector housing and other properties. (North China People's Government, 1994).

The specific measures for transferring properties to the new government included:

- Receive: properties owned by the old government organizations and bureaucratic capitalists, and properties taken over by the old government from foreign forces for example Japanese.
- Confiscate: properties owned by identified war-lords and anti-revolutionaries.
- Look after: properties owned by officials of the previous government where they had run away from the communists.

Through these measures an initial public sector housing stock was established. It is difficult to know how many properties were confiscated or taken over by the government in these early years. In Xian city, according to recently published statistics, the housing stock directly managed by the city government between 1949 and 1956 mainly came from these sources. The confiscation process brought 17.5 thousands m^2 of floor space into the city government control in 1949 alone. By 1957 this had increased to 467.5 thousand m^2 (Housing and Property Management Department of Xian, 1989). This figure also includes some commercial and industrial properties. Although it was only a very small proportion of the total housing stock (about 5 per cent), it marked the beginning of the housing management function in Chinese cities.

Along with policies for the socialist transformation of industry, the process of confiscation of housing and other related properties led to major changes in urban land ownership. Before 1949, urban land was owned privately by industrial capitalists, property developers, foreigners, religious establishments, small landlords and other individuals. In many cities, land was concentrated in a few large landowners' hands. In Beijing in 1951, there were 14 large landlords each with more than 50 *mu* of land (*mu* is the main Chinese measurement unit for land, which equals about 666.7 m^2). In Tianjin, 18 major property development companies controlled 11 700 *mu* of land. The largest owned more than 1000 *mu*. In Shanghai, foreigners owned more than 13.5 per cent (14 000 *mu*) of urban land. Although speculative development was stopped, landowners still tried to sell their stock to the new government. Between 1950 and 1951 land prices increased about eight fold in Tianjin. In the central area land prices quickly increased to the level that had existed before the Japanese invasion in 1937. This was over 20 000 silver yuan per *mu* – about the price for 187 tons of wheat flour (Wang, 1953). In 1950 the then State Administration Council issued a new legislation *Land Reform Ordinances in City and Suburb Areas*. This nationalized urban land and gave the state powers to acquire land required for city construction and industrial development. Where land was transferred from the private sector to the state, no payment was made for the land, but compensation was to be made for buildings, other manmade structures and crops on the land. (State Administration Council, 1950)

URBAN POPULATION INCREASE AND HOUSING SHORTAGE

During the years immediately after 1949, the major effort of the new government was to restore industrial production in the cities. The investment in housing was very small and concentrated in some large slum areas in Beijing, Shanghai and Tianjin. Since there was no significant increase in the urban housing stock in the existing industrial cities, living standards actually declined in these cities. The most important reason was the increase in the urban population. Once the war ended there was a more peaceful urban environment. The new government had not introduced any population movement control mechanism and the urban population increased very rapidly (Table 3.3). In each city the Communists brought in their personnel to

Table 3.3 Urban and rural population growth in China: 1949–92 (million)

Year	Total	Urban		Rural	
		No.	%	No.	%
1949	541.7	57.7	10.6	484.0	89.4
1960	662.0	130.7	19.8	531.3	80.3
1970	829.9	144.2	17.4	685.7	82.6
1980	987.1	191.4	19.4	795.6	80.6
1990	1143.3	301.9	26.4	841.4	73.6
1992	1171.7	323.7	27.6	848.0	72.4
1993	1185.2	333.5	28.1	851.7	71.9

Sources: State Statistical Bureau, 1994a, p.59.

replace the old system and to set up new local government. At the same time many peasants from the surrounding rural areas moved into cities for jobs. In 1949, there were 60 officially defined cities and only five with a population over 1 million. By 1952 the number of cities had increased to 157 and nine of them had a population of over 1 million. Beijing as the national capital experienced dramatic population growth. In 1949 about 1.6 million people lived in the city. By 1965 the population has increased almost three fold to 4.5 million.

In the same period, several inland small cities such as Wuhan, Chongqing, Xian and Chengdu had become large cities (over 1 million people) under the government's regional development policy. (State Science and Technology Committee, 1985) The development of inland cities was a result of the first major attempt at regional planning. In the early 1950s, the central planning authority drew up Soviet style economic development plans. The First Five Year Plan was produced for the period between 1953 and 1957. This emphasized heavy industry growth in urban locations and at a regional scale directed the major new industrial development projects away from the coastal cities into the inland areas. Between 1949 and 1957 more than half of all investment went to inland regions (Roll and Yeh, 1975). This began to redress the imbalances within the extremely uneven regional development system that the communists had inherited. Crucially economic development of the relatively backward inland areas had strategic advantages at a time when a foreign invasion was feared. Of the 700 'backbone' projects in the Plan, over two-thirds went to the non-coastal provinces (Kirkby and Cannon, 1989). All 156 'key' projects among these were located to the west of the Beijing-Guangzhou

railway line (Liu, 1982). A number of inland cities were developed, and by 1958 the share of national industrial output produced by the inland cities had increased from a quarter in 1949 to one third (Richman, 1966). Although one may question its economic efficiency, as indeed did Mao Zedong in his major *shi da guan xi* (On Ten Major Relationships) speech, and note that urban consumption lagged behind the growth of industry, this policy made a great contribution to the development of inland China.

Xian, for example, was designated as one of the most important new industrial cities in the First Five Year Plan, and experienced very rapid urban population growth. By the end of 1956 the urban population, mainly concentrated in the central built-up area, had increased from 397 000 in 1949 to 961 000 (CPEMD of Xian, 1982). This increase in population was the result of migration from the older industrial areas in the eastern part of the country and from surrounding rural areas. The migrants, typically, were young and single. Such an increase in population put great pressure on urban housing. As a response the city government, public institutions and state factories built cheap dormitory style apartments (about 382 000 m^2) to accommodate the influx of young, single workers. No effort was made to encourage private builders to undertake new development. The existing private housing stock, however, was a very important source of accommodation for these people, given that industrial development was given priority over public housing and other investments in urban facilities and infrastructure. By 1954, the average per capita residential floor space had declined to 2.3 m^2. (Wang, 1992)

Housing standards also declined in most other cities. In Beijing the average living floor space[2] per capita was 4.75 m^2 in 1949 but by 1957 it had declined to 3.7 m^2 (Liu, 1992). This standard was slightly better than other cities. At a national urban housing meeting organized by the State Council in April 1957, all 17 cities represented reported serious housing shortage problems. Most of them had an average floor space per person less than 3 m^2. The worst case was Lanzhou, the new industrial city in northwest province of Gansu, where average personal floor space was only 1.8 m^2 (just about the space for a single bed). Reports from Beijing and Shenyang (an old industrial city in the northeast province of Liaoning) revealed that 27–30 per cent of urban workers needed housing very urgently. In Shenyang, there were about 650 000 households without adequate accommodation. (Ministry of City Services, 1957a)

There were also serious problems in the private housing market. Urban landlords feared that the state might introduce confiscation and redistribution measures in the cities similar to these in the rural areas. They took various actions either to sell their property, divide it between relatives, or even give it away as gifts. Larger houses were divided into smaller ones; and multi-storey houses were changed into single-storey ones. There were accusations that some landlords destroyed houses during rainstorms, claimed that the damage resulted from natural causes and then sold the bricks and timber. In a small county town in Hebei province, about 30 per cent of housing became uninhabitable during 1950. On the demand side, some tenants advocated housing redistribution, refused to pay rent and organized rent strikes. Surveys in two cities showed that over 50 per cent of tenants had not paid rent to the landlords for the houses they occupied. The average rent level dropped substantially in all cities. In Shijiazhuang, for example, rent for tile roofed housing dropped from 15 kgs of grain per month per room to less than 8 kgs. (State Land Policy Bureau, 1950) The interaction of these factors resulted in relatively low rent levels and this was another serious blow to the private housing sector. Despite all of these problems neither central nor local government took direct action to control private housing. Given the very small public housing sector at that time, any reduction in private accommodation would have affected the stability of the new government.

RENT CONTROL: THE CASE OF XIAN

The first major step taken by the new government in general housing policy involved the registration of property rights. This was introduced in different cities at different times between 1949 and 1953. The original aim for the registration was to formalize property rights and to get a clear picture of housing stock and provision in cities. The registration, however, had negative effects on the housing market. Registration could mean trouble and danger for the owners. This was one major reason for the widespread neglect of properties and the large scale damage to the housing stock. In the following years action was taken in many cities to regulate the private rental market. The actions taken in different cities were similar and Xian is used here to illustrate these policies.

In 1954 Xian People's Committee issued a *Provisional Regulation on the Private Housing Rental Market* to 'protect the interests of both

tenants and landlords'. On balance, however, it placed greater responsibilities on landlords in matters such as the provision of adequate maintenance and it further restricted their rights to secure rental income. In contrast, the interests of tenants were well protected. The most important of the proposed policies was found in Article 15, Chapter 3:

> landlord and tenant should discuss the rent according to the original capital (invested by the landlord when the building was built), maintenance fee and property rates of the house, taking into account the size, condition, equipment and proposed usage; the landlord must not charge an unreasonably high rent. (Xian City People's Committee, 1954)

A code of standards on capital valuation was published. This was used to calculate the total rent and referred to items such as quality of materials and style of ceilings, walls, doors, windows, floor and structure. A proportion was added on in respect of a maintenance fee. Once this rent was set, the landlord had no right to change it, except where there had been improvements in the housing condition. Even this kind of change was subject to permission from the housing authority. This Article became the basis of government control of the private housing market.

With the completion of rural land reform, and the socialist transformation of agriculture, industry and commerce, the state had gained extensive control over activity in urban areas. By 1955 with this changed situation, urban private housing became a very sensitive political issue. In contrast to 1950, lower rent levels for private housing was no longer seen as a problem. The government was receiving more and more complaints about high rents, despite the fact that actual rent had not changed very much. A survey was conducted by the Housing and Property Department of Xian in November 1955. Among the 1561 rooms surveyed, the highest rent per month was 0.7 yuan per m^2, the average was 0.5 yuan per m^2, and the lowest was 0.27 yuan per m^2. The average salary of government employees and public sector industrial workers at that time was about 50 yuan per month. If a worker rented a small room of 12 m^2 floor space, the average rent for the accommodation would have been 5.6 yuan or about 11 per cent of salary. This rent was generally regarded as too high (Housing and Property Management Department of Xian, 1956a). During the first three months of 1956, the city housing authority received as many as

1520 letters about rent disputes and 95 per cent of the complaints were about high rent levels. Another contentious problem was the uneven distribution of rent. It was not uncommon for identical rooms in the same building to have very different rents.

In August 1956 the city government took firm control of the market for private housing to rent by employing a standardized system for the determination of rents (Housing and Property Management Department of Xian, 1956b and 1956c). The average standard rent per month was set at 0.32 yuan per m^2 and consisted of:

- repayment of capital investment: central government had set an average capital investment of 36 yuan per m^2 for single-storey brick and timber houses, assuming that the life of ordinary housing was 30 years. On this assumption, the average rent associated with repayment of capital was 0.1 yuan per m^2;
- interest on landlord's capital investment: central government had previously set a limited return of 5 per cent for commercial and industrial capitalists. This was applied to the housing sector. Assuming an average age of housing of 15 years, the component of rent associated with the return on the landlord's capital investment was 0.08 yuan per m^2.
- The other standardized elements of the rent were to cover maintenance costs, property rates, insurance fees and management fees.

The standard rent was not directly applied to every house. Instead the housing authority proposed a sophisticated method for calculating the actual rent which was based on the underlying assumptions of the standard rent. This procedure divided the components of a house into five elements and a code of recommended rent was given for each element. The five elements were: structure, floor, inside wall, ceiling, windows and doors. Tenants and landlords were to discuss the features of the houses in relation to these five elements and to agree on the total rent.

By the end of 1956 the rents of all private rental accommodation in Xian were adjusted to these standards. This affected approximately 29 000 landlords and 71 000 tenants who were occupying 1.5 million m^2 of floor space. The total rent was reduced by 40 per cent from 445 000 yuan per month to 267 000 yuan. The average monthly rent per m^2 of floor space was reduced from 0.29 yuan to 0.18 yuan (Housing and Property Management Department of Xian, 1956d).

Although the city government claimed that rent control was a great success, the available data indicates several problems with the policy. Firstly, the arguments about high rent levels based on the 1955 survey were misleading. The average monthly rent per m^2 was only 0.29 yuan before the rent adjustment. This was not only much less than the average rent (0.5 yuan), but also somewhat below the proposed standard rent (0.32 yuan). This posed the question whether the rent adjustment had been necessary. Secondly, the average floor space per tenant was 21.4 m^2 and this meant an average total rent of 6.3 yuan per month. This level of rent would have accounted for 13 per cent of the income of a family with one person working on the average salary of 50 yuan per month. If the employed member of the family had a higher salary or if the family contained more than one working person, the rent would have accounted for a much lower per centage of the family's income. This average proportion of income spent on rent was not high in comparison with major cities in other countries. Thirdly, the adjusted average rent was not sufficient to meet the government-determined standard for repayment of capital and basic return of 5 per cent interest. After other expenses, such as property rates and insurance fees had been paid the landlords' return on investment was reduced and the provision of private rental housing was less profitable. The reduced income of the landlord class also affected the maintenance of existing private properties. In the light of these financial problems it was no surprise that rent control did not solve the urban housing problems. It reduced rents and helped with family budgets but also generated a series of new problems within the private housing sector including poor maintenance and withdrawal of accommodation from the market.

The policy of rent control in the mid-1950s was based mainly on political needs rather than a careful study of the housing problem. This is apparent from the various changes in central government policy. Initially low rents were regarded as creating a problem of poor housing maintenance and lack of enterprise in the private sector. Although rents had changed very little by 1953, the policymakers then launched several attacks on private landlords for charging rents that were too high. These attacks were accompanied by the national policy of transforming the capitalist commercial and industrial activities into a socialist system. By 1956 these transformation programmes had reached a final stage. The State's economic and political power had greatly increased and the government had the strength to attack the remaining privately owned urban housing. The expansion of public

sector housing in the period 1949–56 provided additional scope for addressing the needs of private sector tenants.

THE EMERGENCE OF ENTERPRISE AND INSTITUTION HOUSING

During this period there was no provision for most city governments to build new housing. Income for the housing authority came mainly from rent. In Xian for example 2.9 million yuan rent was collected between 1949 and 1956. About 50 per cent of this (1.46 million yuan) was spent on housing maintenance, management and property tax, and the rest was used for non-housing development. There was however major public sector housing construction in this period through enterprises and institutions set up by the government. The first national Five Year Plan designated Xian as a major inland development centre in 1953. This brought large amounts of central investment into the city, including a textile industrial estate in the eastern suburbs, electronic instrument manufacturing in the western suburbs and other projects for the defence industry (Wang and Hague, 1992). Central government planned expansion of higher education and other major cultural establishments in the city were directed mainly to the southern suburbs. As the capital for Shaanxi Province and also the short-lived, but important headquarters of the Northwest China Administrative Region which covered five provinces and autonomous regions, the city was also a very important administrative centre. Almost all of these new enterprises and government establishments were built on agricultural land around the historic city and each developed its own residential quarters within the site allocated for its activities. New houses built by these public bodies doubled the total housing stock in the city within eight years. At the end of 1949 the floor space of housing in the city was 2.3 million m^2. By the end of 1956 it had increased to 4.8 million m^2. (Housing and Property Management Department of Xian, 1989).

In China as a whole investment in housing in this period was significant. An incomplete report showed that between 1949 and the end of 1956, the government had invested 4.4 billion yuan in housing development. This enabled the construction of 81 million m^2 of housing; 65.2 million m^2 of this were built during the first four years of the First Five Year Plan period (1953–57). This was 40 per cent more than the total target (46 million) planned for the five years. In the

same period, the proportion of housing investment was 9.32 per cent of total investment. The First Five Year Plan projected 4.2 million new employees to join the work force between 1953 and 1957. Sixty per cent of them would require family housing while the other 40 per cent would be single people who could be housed in dormitories. If each family was allocated about 30 m^2 and single people 5 m^2 each, the new housing built between 1953 and 1956 was sufficient for 3.2 million employees. This left 1 million new employees living in older urban homes or in nearby rural homes. However the real situation was much more complicated than the planners' projection. Firstly, the work force and urban population increased much faster than anticipated. In many cities, for example Shenyang, Jilin, Beijing and Xian, population in 1956 was double the 1949 figure. The central government believed that peaceful urban living and increased family incomes had brought more dependents into cities. In most cities, over 70 per cent of employees had families rather than the expected 60 per cent. In 1956, recruitment of new employees was more than 1.2 million in excess of expectation. Secondly, the state plan did not anticipate much demolition of housing. However, the First Five Year Plan coincided with the first wave of city planning which aimed to rationalize land use, particularly in central areas. This led to the loss of some existing housing stock. In Beijing, Wuhan, Taiyuan and Lanzhou about 2 million dwellings were demolished for roads, central squares and other development.

Thirdly, it was believed that the high standard being applied in some housing areas reduced the overall volume of new housing (Zhang, 1957). During this period, USSR housing design standards were introduced by Russian experts. Neighbourhood design methods was experimented with for the first time involving an entirely different approach from the traditional Chinese courtyard design. Multi-storey flats were built in cities. The wish to save land and costs meant that no sitting rooms were provided in these flats. They were located in well designed neighbourhood environments, and each apartment had three bedrooms of 12–18 m^2 with additional cupboards, storage spaces, toilet and a kitchen comprising about 7 m^2 together. The overall standard was 9 m^2 housing floor space per person. The planners' consideration for this design was based on a longer-term strategy rather than on the economic situation at the time and involved a high standard design for the time. Because of the large space provided, many of these flats were actually allocated to several families for sharing rather than used by a single family. (Huang *et al.*, 1991)

New housing construction was limited to a few large cities. In Beijing, 9.1 million m^2 of housing was built between 1949 and 1957 including some poorly designed dormitory style single-storey housing built at the beginning of the period. In addition some good quality housing areas were added to the existing stock including two-storey garden houses for the leaders, and estates of multi-storey apartments for factory workers. (Beijing Municipal Urban Construction Comprehensive Development Office, 1995) In Guangzhou, about 900 000 m^2 of housing was built in three major 'workers' new villages'. (Guangzhou Land and Housing Bureau, 1993)

Large population increases in the cities put pressure on the government to build more housing. But the limited resources were available for industrial development. The government began to search for other ways of housing provision. During the mid 1950s large state enterprises (including the railways, coal mining and textile industries) located in the suburbs provided land, materials and cash to encourage their employees to build family houses. This approach was endorsed by central government but only 2.3 million m^2 of housing was completed in the whole country.

At the beginning of the period of Communist rule, there were no changes in house building techniques. Modern materials and techniques from the eastern coastal area were imported to build new factory workshops and administrative offices, but housing continued to be constructed in the traditional style. Tenement flats were not popular. Apart from some single-storey detached houses for the leaders, dormitory style housing was developed to accommodate the expanding work force. This cheap housing was mostly demolished and replaced by multi-storey flats after the 1970s. This cycle of building–demolition–building is one of the major features of Chinese urban housing.

Since the Chinese government had no previous experience of urban housing management, no clear instructions were issued from the centre on the management of public sector housing. A central report revealed that in 1956 among the 166 cities in the country only 83 had an independent housing department. In other cities the housing function was divided between departments such as the Social Welfare Department (for private housing management), Finance Department (for public housing management), Construction Department (for the control of private housing demolition) (Ministry of City Service, 1957b). In Xian the city government issued its first advice (*Provisional Methods of Public Sector Housing Management*) in 1952. This gave the

Housing and Land Bureau the overall power to manage housing in the city and to regulate the private sector. The document stated that public sector housing (apart from housing used by military personnel and houses built by enterprises) would be directly managed by the Bureau (Xian City People's Committee, 1952). However subsequent practice did not follow this. The Bureau's control of the private housing market involved imposing a fair rent system, but in the public sector its power did not expand much outside the stock under its immediate control. Housing management in large enterprises and institutions was decentralized. Housing offices were set up in these public establishments to build and distribute new houses among their own employees, and to collect rents and carry out maintenance. They were accountable to the directors of the work units rather than to the city housing department.

The role of work units was consistent with the general approach to economic planning. Within the planned economy system, information and financial resources were all planned by sector. For example, new industrial projects, were planned and set up in the city either by industrial departments in the city government, the provincial government or, for major projects with national importance, by industrial ministries in central government. Educational establishments were planned and set up by educational departments in the city (for schools), the province (for colleges and universities) or the central educational ministry (for universities of national importance). Housing investment was not organized separately but was directly linked to these projects and was allocated to the project team (if the project was a new one) or to existing institutions. Housing was planned in terms of housing needed for the people who would work in the institution. By planning housing investment in conjunction with industrial and other public investment the unity of urban development was ensured. This also reflects one of the key planning principles: enabling people to live near to their work (Wang 1991).

There were disadvantages in this system. It affected the efficiency of the institutions, because much of the managerial team's attention was directed to affairs which were not the responsibility of similar institutions in a market economy. In town planning terms, it also resulted in wasteful and piecemeal capital investment in infrastructure. Housing provision was linked to work and it was almost impossible to remedy any uneven distribution of housing between institutions. Furthermore this was one major reason for the housing development cycle: building–demolition–building. To take a university as an example, housing,

office, classroom, canteen and sports facilities were all planned within a campus wall. To improve the living conditions of both staff and students within the fixed land allocation lower density single-storey houses built in the 1950s had to be replaced by high rise flats, even if the quality of the older houses was good and the established community environment was more acceptable than in high rise buildings. The process was sustained by the central policy to preserve good quality agricultural land.

These arrangements for housing development and management also had advantages. Since housing construction, distribution and management were decentralized to major employers, it was more sensitive to their needs. Although housing investment was controlled by central or local government through economic planning, the housing distribution system was more open than centralized municipal housing management in some state housing systems in both Western and Eastern Europe. In the event of corruption and unfairness, the people would know where responsibility lay and who had benefitted. The housing needs of each household were known not only by the housing management team, but also by the leaders of the institution who played an important role in housing distribution. Since large state enterprises and institutions had the responsibility for providing accommodation for their employees, temporary accommodation in non-housing buildings were sometimes used to solve urgent problems. Households living in such non-housing buildings were usually classified as homeless, but very few official urban residents were living rough in the streets or squatting. Since proper housing was always in short supply, unfairness and corruption did exist, and where demand always exceeded supply, it was very difficult to keep every one happy. Housing problems could cause bitter conflicts between employees and employers.

PUBLIC SECTOR HOUSING DISTRIBUTION

Although construction and management of public housing were separated into two sectors, similar housing distribution policies were applied both by the city government housing authority and the institutions under the supervision of central and provincial governments. The Shaanxi province government, for example, issued several documents to guide public sector housing distribution in line with central regulations and designed to limit the share of the housing stock used

Table 3.4 Housing distribution standards in provincial organizations

Status	Grade	Office space m^2	Housing space m^2		
			For the person	Rest of the family	Total
Province Head	Above 8	35–50	30–50	30–45	60–95
Commission Head	Above 11	20–30	16–28	30–40	46–68
Department Head	Above 13	16–20	16–20	20–35	36–55
Section Head	Above 16	6	14	0	14
Ordinary Cadre		4	5	0	5
Police		2	3.6	0	3.6
Other (driver and so on)		0.5	3.6	0	3.6

Source: Shaanxi Province People's Committee, 1955.

by government officials. The principle of the distribution policy was not based on need and family circumstance, but on the current work position and the status achieved in the past (Table 3.4). There were very different entitlements for leading government officials and for ordinary public sector employees. The best provision applied to the very top leaders of the provincial government. This included the Chair and Vice-chair of that government, the Chair and Deputy-chair of the provincial party committee, and other persons working in various offices on salary grade 8 or above (see the following paragraphs for the grade system). People in this group and their family were entitled to between 60 m^2 and 95 m^2 of living floor space. The second group included first level departmental directors and those on salary grades between 11 and 8. They were entitled 46–68 m^2 of living floor space. Groups at the bottom of the list included ordinary officers, police and all other public sector employees. They were only entitled to a personal living space of 3.6–5 m^2 in shared rooms. For this bottom group no provision was made to accommodate dependents (including spouse and children) in the public sector. People in these groups were encouraged to find accommodation for their families in the private sector. Since this distribution table was to be applied to the Provincial organizations, it did not include manual workers at all. For an ordinary industrial worker, housing provision would at best be at the same level as a policeman or driver, but there was no regulation providing such an entitlement.

Although the top standard seems very generous compared with the bottom, it did not offer luxurious living conditions by Western standards for those who had survived several wars and made a contribution to the Communist victory in 1949. The intention of this distribution policy was to impose some controls on government officials with easy access to housing. Its impact on the top leaders was very limited. In most provincial capital cities, special compounds were built for top leaders and their families. These were guarded by soldiers or security guards. It was very difficult for the general public to know how they lived.

Rent policies in the public sector were very confused in this period and before 1955 there was no overall rent policy. Many public sector officials and employees were in a special employment system. They and their families lived in public sector housing and meals were provided without charge in canteens. No salaries were paid apart from small amounts of pocket money for personal daily expenses. This system was a continuation of the supply system in the army before 1949. It was formally abolished in 1957 and two new salary systems were established (apart from the army): officer or cadre grade (between 1 and 24, top grade 1) and manual worker grade (between 1 to 8, top grade 8). All government leaders, professionals (teachers, lecturers, doctors, engineers) and most office workers including secretaries were in officer grades. College and university graduates were automatically put in officer grades. At the same time as this new salary system was introduced, central government issued instructions to charge public sector tenants a standard rent. Examples of rent systems were set up by the central ministries and departments for local government to follow. The Shaanxi province government issued its own rent policy based on the central example. The basic monthly rent per m^2 was determined by the quality of elements of the house such as the overall structure, floor, internal walls, roof, doors and windows. This basic rent was accompanied by an additional adjustment rent determined mainly by which direction it faced and by heating facilities. The major consideration for these rent policies were the size and quality of housing rather than the affordability of households. With this system, average rent took less than 10 per cent of household income. At the beginning of the following period, rents in the public sector were considered too low and in 1958 regulations were published to increase rent by 20 per cent for the best quality houses and 38 per cent for the lowest grade houses. In the private sector, rent control measures were introduced to keep rents down to a similar level.

Table 3.5 Major central government policy documents, 1949–56

Year	Issuing organisation	Title and major contents
Aug. 1949	*People's Daily* editorial (CCP)	On the policy and nature of urban properties and rent.
Dec. 1949	CCP Central Committee	The Decisions on Urban Public Sector Housing Problems.
Aug. 1950	Land Policy Department, Internal Ministry	Suggestions on Current Urban Housing and Property Problems.
June 1950	Administrative Council (Now the State Council)	Regulations on Confiscation of Properties Owned by Anti-revolutionarists.
Nov. 1953	Administrative Council	On the Methods of State Acquisition of Land for Construction
June 1955	The State Council	Notice on the decision of introduction of salary system for government officials from July 1955. From Sept. 1955 the rent and other service charges were introduced for all government officials and related employees.
Nov. 1955	The State Council	Regulations on the Division between Urban and Rural Areas

CONCLUSION

Although this initial period is very short in the history of the People's Republic, it occupied a very important time in relation to contemporary Chinese housing policy. The pattern and style of housing construction, distribution, management and the rent system have since become the basis of all subsequent policies and practice. Recent housing developments and housing reform must be examined against this historical background.

Chinese housing provision in recent years has moved a long way from the poor and backward situation which existed immediately after 1949. Traditional low rise courtyard housing has given way in cities to modern multi-storey housing blocks. In the early period of Communist government modernizing the economy took priority and

housing did not receive enormous attention. There were projects to remedy the worst health problems and slums, but problems of overcrowding were not significantly relieved in a period of migration to the cities.

It is important to remember that there was no immediate direct attack on private ownership in towns as there was in rural areas. The process of decline of private ownership is associated not with confiscation but with the end of the activities of private developers, the impact of rent control, and the development of municipal housing and housing provision by government enterprises and institutions. These have all been more active in recent years with a new concern to raise living standards within the cities. However, the distinctive approach to housing policy which has emerged from this has been one in which housing investment has been bound up in the planning of government enterprises and institutions. The ownership and management, the pricing and allocation of housing have been affected by this. In general, better quality housing has been available to higher status workers. In terms of the debate about social policy the Chinese housing system has conformed much more to a merit based, industrial performance, or economic performance model than a redistributive model. Very low rents have been a feature of the system and the provision of housing has been part of the social wage. Entitlements to housing relate to economic performance and position and, as part of the wage packet, it is appropriate that the rents charged are nominal. All of the elements present considerable challenges if a decision is taken to reform the system. Not only does the low rent tradition have to be disentangled with its implications for wages and taxation systems, but the institutional ownership of housing is also likely to require review. If housing is not to form part of the social wage, then the tradition of provision of housing through employers whose prime purpose is other than the provision of housing is questionable. The process of reform and change in the Chinese economic and housing systems is not simply one of privatization or changing ownership it is a much more complex process of disentangling housing from the production, industrial and employment process, the wages system and the whole management of the economy.

4 Establishment of The State Housing Provision System: 1956–77

The Chinese Communist government embarked on a series of new socialist transition policies from 1952 onward. Between 1952 and 1956 it had carried out the 'three great socialist transitions' in the industry and commerce, agriculture, and handicrafts sectors. In the industrial and commerce sector, a series of transitional forms of state 'capitalism' were introduced. These included the placing of state orders with private enterprises; establishing state monopoly in the purchase and marketing of the products of private enterprises; the contracted marketing by private shops of products produced by state-owned enterprises; and the joint state-private ownership of individual enterprises. Similar methods were used to transform individual handicraft industries. In the agricultural sector, the transition involved a range of approaches; from elementary agricultural producers' co-operatives (farmers to help each other at busy times such as the harvest) to advanced agricultural producers co-operatives in which farmers merged their land and worked together throughout the whole year. By 1956, this socialist transformation of the private ownership of the means of production had been largely completed in most regions (CCP Central Committee, 1981). The experience gave the government more confidence in dealing with the complex system of urban housing.

From late 1956, there were important changes in housing policy in urban areas through the 'socialist transformation movement'. Private landlords came under continuous attack and their rental properties were eventually brought into state control through joint state-private ownership, unified management and rent retention with state supervision. This approach lasted for about half of the time of the Chinese Communist government and covered three major political events: The Great Leap Forward from 1958 to the beginning of the 1960s, the political and economic adjustment from 1963 to 1965 and the Cultural Revolution from 1966 to 1976. There were similarities in these subperiods in terms of housing policies. The most important characteristics of these 20 years were stagnation in both public and private house

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building, the attack on private landlord ownership, and the transfer of private stock into public control. There were also several unsuccessful attempts to transfer housing owned by public institutions and enterprises to city governments for unitary management.

Private housing was still the major tenure in Chinese cities in the middle 1950s. A survey report by the Communist Party Central Committee revealed that in 1955 private housing accounted for between 37 per cent and 86 per cent of all housing in ten major cities (Table 4.1). Because of this large proportion, the issue of how to use urban private housing became very important for the government. In order to concentrate the limited public sector investment on industry and productive sectors of the economy, it was necessary for the private housing stock to be used effectively to solve the housing problems of urban employees. Although the 1955 report indicated the intention to change the urban housing market, action was not taken in most cities until late 1956 when the other socialist transformations had almost been completed.

Table 4.1 Proportion of private housing in ten major cities: 1955

City	Private housing %
Beijing	53.9
Tianjin	54.0
Shanghai	66.0
Jinan	78.0
Qingdao	37.0
Shenyang	36.0
Harbin	42.0
Nanjing	61.3
Wuxi	80.3
Xuzhou	86.0

Source: CCP Central Committee, 1956.

URBAN HOUSING PROBLEMS: CONTRADICTIONS BETWEEN PRIVATE OWNERSHIP AND SOCIALISM

A more dramatic approach to urban private housing was justified by the problems in the housing market. The then Ministry of City Service comprehensively reviewed these problems in two documents. The first of these was 'On Strengthening Urban Housing Management'

(Ministry of City Service, 1957a). This was circulated at a housing bureau directors meeting in Beijing in February 1957, and confirmed in a formal Report to the State Council compiled during a housing and property conference held 5–18 April 1957 and attended by local officers from 17 major cities. All representatives attending the April conference reported housing shortages as a major problem. Average housing floor space per person was only around 3 m^2 in most cities. In Beijing and Shenyang 27–30 per cent of workers and government officers urgently required housing. The problem in newly developed industrial cities was reported to be even worse. In Lanzhou, a new industrial city in the northwest average floor space per person was only 1.8 m^2 (about the size of a single bed). The main reasons for housing shortage were identified as rapid population increase and slow housing development. Because of political uncertainties, private housing building had been rare since 1949. Although the public sector had built some housing, the increase in stock was much slower than the increase in urban population. In Changchun, for example, population increased by 127 per cent between 1949 and 1956, but the housing stock had only increased by 30 per cent. (Ministry of City Service, 1957b)

Related to the shortage of housing was its unequal distribution. It was reported that landlords took too much for their own use. The Housing and Property Department in Xian carried out a survey of 1072 landlord families and 307 tenants. Among those landlords who had a stock of over 500 m^2, the average floor space for their own family use was 20 m^2 per person, while that for tenants was 3.9 m^2 per person. In some cases, several families had to share one room. (Xian City People's Committee, 1956a) In Shanghai, 21 of the 49 housing and property agencies owned over 10 000 m^2 of housing. There were also 1449 landlord households each with over 1000 m^2 of housing floor space and 422 of them had over 5000 m^2. In Beijing, there were five households which owned more than 1000 rooms and the biggest landlord owned 2500 rooms. In Shenyang, 432 households owned over 1000 m^2 of housing floor space and this was about 22 per cent of the total private housing stock in the city. (Ministry of City Service, 1957b) The general pattern was that the larger the city, the more concentrated the housing ownership. Although these surveys gathered some useful data on living conditions, their political intention to attack the landlord class was very clear. The Xian survey, for example, included 1072 landlord households but only 307 tenants. The major objective of the survey and the whole transformation

movement were to achieve a more equal distribution of the available accommodation rather than to solve the urban housing shortage through additions to the stock.

Poor housing quality was another major problem, particularly in the private rental sector. During war time, large scale housing maintenance and improvement was impossible and after 1949, government policies directly or indirectly discouraged private housing development. Existing landlords faced political pressures to let their properties but no initiatives to carry out repairs and maintenance. The quality of the existing housing stock deteriorated. Many buildings collapsed or became too dangerous to live in. One of the worst examples reported was that in Tongxian County (near Beijing) where about 27 per cent of all housing became unusable in a single year with problems such as water penetration widely reported. (Ministry of City Service, 1957b)

Rent levels in the private sector were always a problem under the Communist system. During the first year of the new government the limited available information indicated a dramatic decrease in rents. In a number of smaller towns and cities around Beijing, rent had decreased by over 60 per cent. Because of the frequent change of currency, rent was paid in grain rather than cash in 1950. For a good sized room, the monthly rent was previously equal to 10 kgs of grain, but in 1950 it was as low as 3 or 4 kgs. Landlords faced political consequences in collecting rents and some tenants took advantage of the political climate and refused to pay. In three districts of Tangshan city about 58 per cent of private tenants did not pay rent. (Ministry of City Service, 1957b)

The confusion in the private rental market continued for several years. The problem became more complex by the middle 1950s when housing shortage intensified and the communist government's desire for equality became stronger. Rent was reported to be too high in fast growing cities and new industrial districts, and rent for new tenants was higher than for existing tenants. In smaller cities and towns, due to low demand, rent was relatively low. In the public sector rent was higher in municipal housing than in work unit housing; variations also existed between different work units: for example, rent was higher for municipal government employees than for those employed by the provincial organizations. It was clear to the government that lower rent in the public sector would affect housing maintenance and repairs and higher rent would increase workers living costs. Economic conditions at that time did not allow the government to pay a higher salary

and this was also not the Communist policy. There was limited space for housing policymakers to manoeuvre.

There were problems in housing management too. Among the 166 officially defined cities, only 83 had independent housing management departments and in many cities, housing functions were split between different departments. There were no policies or central regulations on management. In most cities, housing used by military organizations was managed independently from government departments. In some cities (for example in the Northeast provinces) the property of large organizations, schools and hospitals was managed centrally; but in most cities these properties were not managed by the city government but by each institution (work unit). Most cities' housing departments only managed property under direct municipal control (for example, Beijing, Tianjin, Jinan and Qingdao).

Other problems related to illegal changes of tenants, transfers of ownership and requirements for a deposit. These were viewed as disguised exploitation through the private sector. Maintenance in both public and private sectors were very poor. There was also no clear policy on dealing with special properties (for example, temples, other religious buildings, various club and large group owned properties) and this resulted in poor protection, maintenance and use of these buildings.

In the government's view, these problems revealed several essential contradictions in the society. There were contradictions between:

- private ownership of housing and the socialist system
- the slow rate of house building and fast growth of the urban population
- the poor housing management system and social development requirements

These so-called contradictions indicated the direction of later housing policies. After reviewing housing problems the government proposed several policies to deal with these problems:

1) Building public housing. This was seen as the major way to solve the problem of urban housing. However no substantial funds were promised for house building because of the emphasis on industrial and other production.
2) Encouraging individuals to build family housing, but not for renting or speculative profits.

3) The strict control of rural to urban migration.
4) The protection of the existing housing stock.
5) Improving housing distribution and management.
6) The implementation of socialist housing transformation and regulation of private housing. (Ministry of City Service, 1957a)

Although the socialist housing transformation appeared as the last policy, it was the key issue in subsequent years.

SOCIALIST TRANSFORMATION OF THE PRIVATE RENTAL SECTOR

Given these problems and especially the unequal distribution of housing, the government decided to bring the private rental housing sector into the socialist system. At the beginning of 1956, formal instructions were issued by the CCP Central Committee to reform urban private housing markets. The objectives of the transformation were two fold: firstly to strengthen state control of the private housing market; secondly to transfer the ownership of private housing to the public sector. The principles of transformation proposed were similar to those for the industrial and commercial sectors including centralized state management of rented housing and joint state-private ownership. However the specific measures were left to local government. Although several cities had carried out experiments in 1955 and early 1956, there was no clear cut national policy on how the sector was to be changed. For example, the floor space limit for transformation in different cities varied: some included landlords who rented out 100 m^2 while others only included those with 600 m^2. The limit itself was a very important issue because it represented the government's perception of the living standards of ordinary urban residents. It was anticipated that by the end of the reform, all the housing floor space above the limit would be nationalized, while that below the limit would have become family housing. In 1957 central government issued an instruction based on earlier experiments. It urged local authorities to focus on large landlords who rented from 500 to 800 m^2 in large cities and from 300 to 500 m^2 in small cities. Again it was left to local government to decide whether to include smaller landlords. There were no strict rules from the centre and some cities employed joint state-private ownership while others only took control of the management of rented housing.

The specific means and measures of the socialist transformation can be illustrated through the example of Xian city. Xian was one of the front runners in the reform. The city government planned to start the transformation movement on 6 August 1956 and to complete the process within two months. Three types of transformation were carried out, according to the size of the landlord's ownership and the proportion of this floor space being let. The policies applying to different categories of private landlord were as follows:

- *Joint state-private ownership*: this was the principal form of ownership under the policy of state capitalism adopted during the socialist transformation of industry and commerce from 1953 to 1956. In the housing sector, this policy was directed towards large landlords with more than 500 m^2 of floor space and those who had less than 500 m^2 of total floor space, but more than 300 m^2 available for rent. These landlords were classified as exploiters. The policy was to bring the rented part of these properties under joint state-private ownership and to transfer the management responsibilities from the landlords, or their property agents, to a public company. The Housing and Property Company formed for this purpose was supervized by the Housing and Property Department of the city government. The standardized value of a property was treated as the capital investment of the landlord. Tenants were to pay rent to the Company rather than to the landlord. The Company would pay a fixed annual interest of 5 per cent of the investment to the landlords in quarterly instalments. Eventually the state would stop paying the landlords and the property would become a public asset.
- *Unified management*: the second type of transformation in Xian was directed toward middle-sized landlords who had 200–500 m^2 of total floor space with over 150 m^2 for rent. The state took over the rented part and provided a comprehensive management service through the Housing and Property Company. This included allocation, maintenance and rent collection. The average rent per m^2 was set at 0.25 yuan per month. The state would pay the landlord a fixed proportion of the rental income (about 50 per cent) each month. The remainder was to be used by the public company to pay the property tax, insurance, administration and maintenance fees, and also to provide for a vacancy allowance of 3 per cent. Landlords were not permitted to withdraw from this arrangement or to sell their houses.

- *Rent Retention with State Supervision*: this third type of transformation was for small landlords. The rented floor space was usually in houses occupied by the owners themselves. These circumstances were not seen to be conducive to unified management. This group could retain their property and had the right to rent their limited spare floor space on the private market under state supervision including rent control. The rent should form only a small part of the income of landlords who were expected to have other income from work. (Xian City People's Committee, 1956a).

The city housing authority estimated that joint state-private ownership would apply to about 3 per cent of private landlords who controlled 16 per cent of the total floor space in the private sector. Unified management was expected to apply to 7 per cent of all landlords who controlled 14 per cent of total privately owned floor space. The small landlords who comprised 90 per cent of all landlords controlled 70 per cent of privately owned floor space (Xian City People's Committee, 1956b). By January 1957, 641 large landlords had been taken into joint state-private ownership. This related to 2.9 per cent of landlords with 15 per cent of the total floor space in the private sector. The 1300 middle-sized landlords who joined the unified management system comprised 6 per cent of all landlords and were in control of 12 per cent of privately owned floor space. The other 20 336 small landlords (91 per cent) still controlled 73 per cent of private accommodation. These figures indicate that although the Chinese approach towards larger holdings within the urban private rental sector was a radical one, these dramatic measures affected only about one quarter of the private rental stock. Transformation was not as complete as had been intended.

In general, these policies tended to be counter-productive. The original objectives of the transformation were to relieve problems of housing shortage and distribution. However, these measures did not prevent the over-consumption of floor space by the landlord households. Only the rented part of the property and the management functions were taken over by the state. For example, if an owner used all 200 m^2 of floor space, the property was not required for transfer, despite the fact that they had much more space than other families. This policy discouraged landlords from renting out their properties and added to the housing shortage.

As the national political climate changed in 1958, further changes were made to the urban private housing sector. Criticisms that 'the

Socialist system does not allow exploitation, but the urban landlords are still exploiting' (*People's Daily*, 6 August 1958) were raised. Further changes were proposed, for the remaining urban residential buildings as well as private non-residential property, industrial and commercial buildings, the properties of religious organizations, and suburban landlords' property.

At this time, in Xian city 140 000 m^2 of private building were rented for non-residential uses at 1160 sites in the central area; a further 9500 m^2 of non-residential buildings were rented in suburbs; 28 800 m^2 of housing was owned by religious organizations. The city government proposed a programme to transform these buildings in one month, from 20 August 1958. In this instance, unified management was employed for all landlords within the transformation limits (over 150 m^2 of housing for rent and any area rented for non-residential uses), except in situations where joint state-private ownership had already been established. The landlord's share of the rental income was reduced from the 1956 figure of 50 per cent to a figure within the range of 30 per cent to 50 per cent.

In 1956 the total private housing stock in Xian had been 2.5 million m^2. Approximately 60 per cent of the floor space was controlled by 22 900 landlords. By 1958 the two transformation movements had affected 4357 landlords (19 per cent) and 880 000 m^2 of floor space (35 per cent). The total rental income received by the government was 137 000 yuan per month (of which 4000 yuan came from the joint state-private ownership established in 1956). From this revenue, approximately 36 000 yuan (37 per cent) was paid to the landlords. (Housing and Property Management Department of Xian, 1958) By 1962, 240 households above the transformation limit had still not been involved due to complicated family circumstances. This could have brought a further 39 000 m^2 of housing into the state system (Housing and Property Management Department of Xian, 1962).

Rent control policy in the early period and the 1956 and 1958 transformation programmes had profound effects on the urban private housing sector in Xian and changed the tenure structure in the city dramatically. Between 1949 and 1956 the share of the private sector had fallen from almost 100 per cent to 52 per cent as a result of the expansion of the public sector. After two years of socialist transformation private housing had been reduced to only 23 per cent. More importantly this policy had entirely destroyed the private house building industry and private housing market. The remaining private houses were mainly in the owner occupied sector. In the following years the

numbers of private houses declined continuously as a result of demolition and urban renewal, and by 1980 only 14 per cent of the housing stock was owned by individual families.

Through these transformations, the city government not only introduced direct rent control and unified maintenance and repair, but also gained the power to determine the distribution of the existing rental accommodation within private housing stock. Subsequently, it became more difficult for people to gain access to these houses. Only those who were in urgent need (mainly public sector employees) were eligible for this accommodation. The housing opportunities and choices available to new, unauthorized migrants to the city were diminishing. This is one of the most important reasons why Chinese industrialization over 40 years was achieved with more limited urban population growth than in countries where private ownership and development was more rapid. In China urban population growth was limited by public sector control over housing as well as by measures related to the registration of residence.

Urban housing problems concerned millions of households and large numbers of landlords. At the national level, the transformation involved unanticipated problems. When the government carried out its socialist transformation in industry and commerce, it only took about three years. Consequently when the CCP Central Committee set its target to complete urban housing reform in 1956, it was of one or two years. The transformation actually took much longer. A survey of 16 major cities in 1957 indicated that there were 234 million m^2 of housing in these 16 cities. About 52 per cent of this was in public ownership, 29 per cent was private and 19 per cent belong to various corporations including private-state joint ownership and collective organizations (Ministry of City Service, 1975a). This means that very little privately owned property had been transferred. From the end of January to the beginning of February 1958 the then Second Ministry of Commerce (the central housing authority at the time) held the First National Urban Housing Conference. This was attended by leaders from provincial level government and 36 large cities and the key topic was housing transformation. The Party and central government was irritated by the slow progress. It was already two years since the CCP instruction but only one fifth of large cities had embarked on the policy. In smaller cities and towns the proportion was even lower. The conference reached a decision which required all local authorities to implement the policy in 1958 and complete it in 1959. This again proved to be a very ambitious target. By May 1961 there were still

14 per cent of cities and two thirds of county towns that had either not started or not completed the work (Central Bureau of Industry and Commerce Management and Ministry of Trade, 1961). After further encouragements from the centre, most cities implemented the transformation policies by 1964. The progress in small towns were still very slow. (State Council, 1964). Urban housing transformation was a key topic in housing policy until the Cultural Revolution began in 1966 and it continued in small towns throughout the 1970s.

It is difficult to evaluate the full effects of this transformation in China as a whole because of the lack of data. By 1964 when the policy had been implemented in most cities and one third of towns, central government estimated that about 100 million m^2 of housing floor space had been transferred to government control (State Council, 1964). A more recent figure published by the central government shows that the transformation had been carried out in all officially defined cities and one third of county towns. The households affected were 624 100 and the transfer involved a total housing area of 116.5 million m^2 (Ministry of Urban and Rural Construction and Environmental Protection, 1982). The average transformation limit for rental housing floor space was 150 m^2 (about 10 rooms) in large cities, 100 (6–7 rooms) in middle-sized cities and 50 to 100 (3–6 rooms) in small cities and towns.

Sichuan Province implemented the policy in all its major cities and counties between 1956 and 1966 (a few during the Cultural Revolution period). A later report revealed that the housing transformation had involved about 95 000 households. This was 17 per cent of all private house owners in urban areas. The total floor space transferred was 8.2 million m^2, about 25 per cent of all private housing. Various transformation limits were applied in different periods. Before 1966, the limits were between 100 to 200 m^2 in large and middle sized cities, and 50 to 100 m^2 in small towns. After 1966 they were reduced to 80–100 m^2. If households were classified as landlords or in the rich family class, no limit applied and all rented rooms was transferred. It was common that for very harsh measures to be taken during the transformation and a lot of family houses were mistakenly appropriated: for example, about half a million m^2 (6 per cent) of private housing was wrongly nationalized in the Province. (Sichuan Provincial Construction Commission, 1981).

The transformation had given government firm control of the urban housing market and over allocations, rent levels, property tax payments, and repairs and maintenance. The standardized rents in both

private and public sectors released the pressure on public sector workers' wages and enabled these to be kept low through later stages of development. This transfer of housing from the private sector to municipal government had brought about more coherent local housing management than had existed previously in most Chinese cities. However, the transformation was not always a success story, particularly during the early period of the reform when the government needed to pay the landlords a share of income or rent. There were two main ways to determine the amount of income for landlords: a fixed rate of investment interest or a fixed proportion of rent. Investment interest was paid to landlords who were involved in state-private ownership schemes. The assets were firstly evaluated and a cash value was given as a base to calculate the shares. The landlord was entitled to receive 5 per cent of asset value as investment interest. This was paid out of the rents collected. This method of payment was not particularly encouraged by central government on the grounds that it was difficult to manage or change and involved complicated calculation procedures. More importantly, the landlords' entitlement existed whatever amount of rent was collected and this could leave the government with a deficit. Shanghai which used this way of payment to landlords, lost 6.8 million yuan during 1957 alone. The second way of paying landlords seemed to be more successful. Instead of paying investment interest, a fixed proportion of rent income was paid to the landlord. This was easy to calculate and ensured that other expenses were also met. The amount received by landlords only changed with the amount of rent collected. On average, 30 per cent of rent income was given to landlords and payments varied from place to place, between 20 per cent and 40 per cent. The payment to landlords who participated in the reform continued until the beginning of the Cultural Revolution.

It seems ironic to look back at this early transformation in view of the current housing reform with its aim to privatize public sector housing. Current Chinese government policies on urban housing appear to have gone back to the 1950s. However, the current privatization is not aimed to bring back landlordism, but to develop individual home ownership. Only during the Cultural Revolution period has there been any real threat to urban private family homes. It would be difficult to imagine a picture of housing provision in Chinese cities if the transformation had not been carried out and private landlords and speculative property development had been allowed. Another result of the transformation was the elimination of private urban land

ownership and the nationalization of urban land during the land reform of the early 1950s. Large pieces of undeveloped land were nationalized and large private landowners became ordinary family home owners. State control of urban land was an essential feature of Chinese urbanization over the last 40 years.

The process of transformation was not always smooth and without resistance from landlords. Some landlords sold properties cheaply to avoid transfer. Although the sale price was low, the landlord anticipated even less income from the state once the housing had been handed over. These landlords were more politically aware than others and their action was to protect their economic interests. Some landlords who participated in the reform subsequently tried to regain control of their properties on various grounds. For example when family circumstance changed they would go to the city government and ask for parts of their housing to be returned. There were more of these cases in cities which set very low transformation limits, (for example below 100 m^2). There were also reports that landlords forced tenants out of their properties or charged them additional rent after their housing had been handed over to the government. These problems became fewer when the political climate became less favourable to 'exploiters'.

URBAN RENEWAL: THE CASE OF JINHUA AREA IN GUANGZHOU

As discussed in the last chapter, in the period immediately following 1949 there were limited resources to devote to housing and the emphasis was on other activities. However government took steps to attempt to deal with the most insanitary areas and to clear the worst slums and housing conditions. Toward the late 1950s, it moved to more ambitious policies to provide good housing to the urban poor as resources became available.

These changes in policy can be illustrated through a local example drawn from Guangzhou and related to a notorious slum district on the edge of the city wall. The Jinhua Area[1] is located outside the old West Gate of Guangzhou city. It was an area housing ordinary people and is currently being redeveloped by commercial developers. Guangzhou City has a population of 6 million and the largest district is the one in the west Liwan District with a population of 510 000. Jinhua is in this area. It was previously a poor, backward district of

squatters. In 1949–50 it had a population of about 10 000, most of whom were poorer people. Historically its origins were as a small village outside the city wall used by migrants from rural areas. It used to be called 'immigration town' and many fisherman also lived there along with people who moved to the city because of floods and other reasons. The area is low lying and has been subject to floods. It has a poor environment because of this. In 1938 this area experienced a major cholera outbreak and in one street all the members of 40 households died. Poor drainage and lack of education about refuse disposal and disease was complicated by poor sanitation and the area has a long history of poor health with a high concentration of sick and disabled people. The housing consisted of non-permanent wooden and board structures prior to 1956 and only about 10 per cent of houses were traditionally built with tiled roofs.

The new government in 1951 initially organized local people to clear ditches and to clean up this area. This is regarded as the first health revolution. It did nothing to deal with poor housing conditions, as there was no cash, but it did begin to improve the environment and change open sewers and deal with basic public health measures. In 1952 the area received a red flag award for achievement for improving health conditions in the area. The 1956 housing reform introduced a new policy to improve house conditions with bank loans to improve housing and replace wooden structures with brick ones. Since the area was one of squatter housing and no landlords were present, the squatters were presumed to own the structures they were living in. Bank loans were provided interest free, and over a period of one year the wooden structures were replaced by brick buildings. The maximum period for a bank loan was 20 years although many households may have repaid loans much earlier. Loans were paid for the purchase of materials and the amount of the loan was restricted by the size of the dwelling concerned (that is the size of the wooden structure being replaced). The labouring and construction work was largely done by the households themselves, although they may have occasionally paid for particular skilled work such as a carpenter. Bank loans were only available for those without resources. Families applied and the residents committee checked their income and conditions to decide on whether they should obtain a loan.

At the same time steps were taken to tidy up the street layout and environment. This took a period of some ten years with action to clean and green the area, and to beautify the neighbourhood. Between 1956 and 1980 over 30 gardens or green sites were built amounting to

10 000 m^2. New trees were planted, local residents were responsible for maintaining the areas in front of their houses, and families were also encouraged to improve their dwellings internally. The dwellings were simple, traditional houses mostly of one-storey and with very few of two- or three-storeys. Each house had a kitchen but no internal toilet, and piped water was provided on street corners. By 1975 water was provided to each house in the community but through a tap outside the back door. New pipes were laid between 1975 and 1980. In 1983 the area became an urban renewal district and most of the older houses were demolished and replaced by muilt-storey tenement buildings. Over a period of 40 years the area had been improved through different policies and two phases of complete rebuilding were involved.

THE EFFECT OF CULTURAL REVOLUTION ON THE PRIVATE SECTOR: 1966–1976

The ten years between 1966 and 1976 was the most turbulent period in history of the People's Republic. This period is usually referred to as the Cultural Revolution and the guiding political principles were those of the left wing of the CCP. In housing terms, this brought greater pressures on the declining private sector. The previous socialist transformation had already brought the majority of private rental housing under state control, but most urban landlords had enjoyed some income from their properties and occupied better houses. The first significant effect of the Cultural Revolution on the urban private housing sector and particularly on the landlord class, came in September 1966 with the Report on Several Problems with Financial, Commercial and Industrial Policies, by the CCP Central Committee (Document No. 507 1966). This report abolished the joint state-private ownership of enterprises established during the early 1950s. This meant that there were no further payments of interest to the capitalist class and people representing the private partner employed in the enterprises were dismissed or assigned other jobs. All enterprises under joint ownership were declared to have become public properties. With the changed political situation, most local housing authorities stopped paying landlords their share of rent. Very few landlords had the courage to ask for payment. In January 1967 the State Housing and Property Management Department formally abolished landlord ownership. Urban landlords' rental housing stock,

both under the joint state-private ownership and under the unified management system, finally became public assets (State Housing and Property Management Bureau, 1967). The same document also abolished any private ownership of urban land.

This marked a fundamental change in policy and political ideology. Between 1949 and 1966 the political power of capitalists and landlords was removed gradually, but they still enjoyed limited economic benefits from their investments and assets. From now on such economic benefits were removed. This created some problems of policy continuity. The factories and workshops of capitalist industrialists were centralized at the beginning of the 1950s. By 1966 they had enjoyed a return from their investment for over ten years. Over the relatively long transformation period it was argued that the life of these original investments had been exhausted and it was reasonable to cease payments. However, the housing transformation started much later than in the industrial sectors and slow progress delayed the transformation in some areas for a considerable time. In some areas it was implemented after 1966. This means that these households had only received their share of rent income from the state for a short period. Some had never received anything from the state for housing which had been nationalized. They had previously received rent from the tenants but for them it seemed unfair that their housing had gone overnight without any transformation period. No one had the courage to raise this question until the political climate became milder after the Cultural Revolution. Seventeen years later in 1982, central government issued instructions to local authorities to solve this problem by paying each household a share of rent for at least five years after the property had been transferred to the state. (Ministry of Urban and Rural Construction and Environmental Protection, 1982) This proved a difficult task to achieve. In the disruption of the Cultural Revolution original official records had been lost or destroyed in many cities and rent collecting functions had been interrupted. How much rent had been collected from these properties was often unclear.

During the Cultural Revolution it was not only landlords who were defined as class enemies. Political pressure was also put on some owner-occupiers, especially professionals, government officials at high levels and those who had overseas relatives classified by the Red Guards (a popular students and youth organization which took over the control of local governments during the peak of the Cultural Revolution) as representatives of the capitalist class or anti-revolutionary. Many of them were sent to the countryside for re-education and their urban houses

were confiscated. Because formal government organizations were abandoned, there were no formal statistics or detailed records kept during these ten years and it is difficult to know how many houses were affected in the whole country. A central government document reported that in 130 major cities and 265 towns (located in 24 provincial level government areas including Beijing, Shanghai, Tianjin, Guangdong, Hubei) 340 000 households' housing was either confiscated or illegally taken over by the government. The total housing area affected was 27.6 million m^2 – about 20 per cent of all private housing. About half of the housing was owner occupied family houses and the other half was for renting (Cao, 1982). In Liaoning province, a total of 1.5 million m^2 of private housing was illegally taken over by the government affecting 28 000 households. In Xian city, an incomplete figure was recorded in 1979 which showed that 1409 private houses were confiscated. Approximately 70 per cent of the accommodation had originally been lived in by the owners. The other 30 per cent were for rent. (Housing and Property Management Department of Xian, 1979) By 1979, 207 properties had been returned to their original owners but the remaining 78 000 m^2 of floor space belonging to 1202 families had not been returned.

Overseas Chinese and families with overseas connections suffered more because they were richer than the majority of the urban population and their houses were usually bigger. Statistics from 20 major cities revealed that during the ten years of Cultural Revolution, houses belonging to 5715 such households were either confiscated or taken over by the city government or other public bodies such as the Red Guards. The total area affected was 0.5 million m^2 (Peng, 1982). In Shanghai alone, 1234 such households were attacked – involving 17.7 000 m^2 (Shanghai Housing and Property Management Bureau, 1981).

Whyte and Parish (1984) estimated that by the mid-1970s only about 10 per cent of housing in the largest cities of China remained in private ownership. Statistics are not available for every city but available data confirm their estimate. In Xian, for example, the private housing stock had declined from about 2.5 million m^2 (including the 880 000 m^2 transferred to public ownership) in 1958 to 1.49 m^2 in 1980. In 1980 the city had a total housing stock of 10.5 million m^2, of which 14 per cent was private. As a result of the Cultural Revolution, virtually all of these private houses can be assumed to have been owner occupied family properties. Family expansion over the 20 years could easily have absorbed the spare rental rooms of the small landlords.

Attempts to correct the mistakes committed in respect of urban private housing during the Cultural Revolution period began as early as only two years after its start. The first such action taken by central government was an instruction to local governments to correct the mistakes of the Red Guard's attack on properties owned by overseas Chinese. At the beginning of the 1970s the relationship between China and the west, particularly the United States was improving and home visits made by overseas Chinese increased rapidly. Their housing interests had become an important element in obtaining their support both inside and outside China. However the tenure and usage of housing was now so complicated that solving disputes and returning properties to the original owners were major tasks for local housing authorities throughout the 1970s and the 1980s.

EXPANSION IN THE PUBLIC SECTOR

When the Cultural Revolution began in the middle of 1966, formal government functions including housing management were disrupted. City governments had lost control of some properties and there were widespread problems of corruption among housing officers and over rent collection. A survey in 1979 showed that in Xian about 28 per cent of city government properties were no longer controlled by them or had arrears of rent. Since rent had always been the major income for local housing authorities for maintenance and management, low rents, reduction in rents and non-collection of rent caused many problems. Much needed maintenance and repairs were cancelled or delayed. Some houses were lost through deterioration or collapse. At the same time there was a very low rate of house building. Throughout the 1960s and the 1970s, average living floor space per person was around 3 m^2 in Xian city (Table 4.2). In 1980 about 29 per cent of households either lived in overcrowded situations (102 800, with 20 700 families living under 2 m^2 per person), or in unsatisfactory accommodation (17 500 households with two or three generations in one room) and 14 900 families were classified as homeless. Of all houses under city government control, 5 per cent were in a dangerous condition. In the private sector this problem was even worse with 20 per cent in such condition. Among houses owned by enterprises and institutions only 2 per cent were badly maintained (Housing and Property Management Department of Xian, 1982, p.24).

Table 4.2 Housing conditions in Xian 1949–88

Year	Total floor space million m^2	Housing floor space million m^2	Living floor space million m^2	Total population (million)	Living floor space per person (m^2)
1949	4.0	2.3	1.3	0.40	3.2
1950	4.0	2.3	1.3	0.43	3.0
1951	4.2	2.4	1.4	0.50	2.8
1952	4.4	2.5	1.4	0.53	2.6
1953	4.9	2.6	1.5	0.58	2.6
1954	5.4	2.8	1.6	0.70	2.3
1955	7.1	3.6	2.1	0.79	2.7
1956	9.5	4.8	2.7	0.96	2.8
1957	10.8	5.4	3.1	1.01	3.1
1958	12.2	5.7	3.2	1.02	3.1
1959	13.4	5.9	3.3	1.19	2.8
1960	14.6	6.3	3.6	1.24	2.9
1961	15.2	6.5	3.7	1.17	3.2
1962	15.4	6.6	3.7	1.08	3.4
1963	15.6	6.6	3.8	1.13	3.4
1964	16.1	6.7	3.8	1.18	3.2
1965	16.9	7.0	4.0	1.23	3.3
...*	...	...	...	...	...
1976	22.0	8.4	4.4	1.30	3.4
1977	22.5	8.7	4.5	1.33	3.4
1978	23.4	9.1	4.7	1.38	3.4
1979	24.3	9.7	5.0	1.43	3.5
1980	25.5	10.5	5.4	1.47	3.7
1981	26.7	11.2	5.8	1.52	3.8
1982	28.2	12.2	6.3	1.56	4.0
1983	29.7	13.1	6.8	1.59	4.3
1984	31.1	10.0	7.3	1.64	4.5
1985†	45.7	19.6	9.9	1.73	5.7
1986	47.3	20.5	10.4	1.78	5.8
1987	49.0	21.5	10.8	1.82	5.9
1988	50.7	22.4	11.5	1.88	6.1

Note: * No data available between 1966–75 (Cultural Revolution)
† Data for 1985 reflects the findings of a major housing survey
For the differences of housing construction floor space and living floor space please see Chapter 3 Note 2.

Source: Housing and Property Management Department, 1989, p.7–9.

Although private housing supply had been declining since the middle 1950s, total housing floor space increased continuously under the communist government. For example Table 4.3 shows that housing floor space increased rapidly in Xian. In 1956 alone,

Table 4.3 Annual housing development and demolition in Xian 1949–1988

Year	Total newly built floor space	Housing (1000 m^2)				
		Newly built	Demolished	Stock at end of year	% net increase	% of demolished
1949	14	1	0	2 317	0.1	0.0
1950	28	3	6	2 314	-0.1	0.2
1951	248	84	5	2 393	3.4	0.2
1952	224	111	18	2 486	3.9	0.8
1953	525	183	36	2 634	5.9	1.4
1954	614	185	49	2 770	5.2	1.8
1955	1 683	908	30	3 648	31.7	1.1
1956	2 500	1 240	86	4 802	31.6	2.4
1957	1 300	591	29	5 365	11.7	0.6
1958	1 508	323	37	5 651	5.3	0.7
1959	1 231	289	57	5 883	4.1	1.0
1960	1 365	434	53	6 264	6.5	0.9
1961	486	209	16	6 457	3.1	0.3
1962	258	105	5	6 557	1.5	0.1
1963	257	90	9	6 638	1.2	0.1
1964	487	119	10	6 747	1.6	0.2
1965	885	274	10	7 011	3.9	0.1
1966–76*	6 560	2 861	1 503	8 370	19.4	21.4
1977	570	350	40	8 680	3.7	0.5
1978	935	470	40	9 110	5.0	0.5
1979	1 000	600	60	9 650	5.9	0.7
1980	1 400	890	90	10 450	8.3	0.9
1981	1 469	982	245	11 187	7.1	2.3
1982	1 770	1 166	70	12 183	8.9	0.6
1983	1 867	1 248	300	13 131	7.8	2.5
1984	2 063	1 280	402	14 008	6.7	3.1
1985†	2 005	1 191	430	19 590	39.8	3.1
1986	2 367	1 381	430	20 541	4.9	2.2
1987	2 163	1 250	310	21 481	4.6	1.5
1988	2 110	1 170	270	22 381	4.2	1.3
Total	39 892	19 988	4 646			
Mean	997	500	116		8.6	1.1

Note: * No annual data available for the Cultural Revolution period (1966–76)

† The discontinuity between 1984 and 1985 was the result of an adjustment made after a comprehensive housing survey carried out in the city. The survey found that the actual housing stock was 34 per cent more than the rolling forward statistics

Source: Housing and Property Department of Xian, 1982 and 1989.

1.24 million m^2 of housing was built although from 1957 house building started to decline. In the following years the Great Leap Forward movement initiated by central government shifted most capital investment to projects in the industrial production sector. Fewer and fewer new dwellings were built each year and housing completions contributed a much lower proportion of total new building. At the peak of the Great Leap Forward (1958 and 1959) only about 20 per cent of new building was housing. During the Cultural Revolution period an average of about 0.26 million m^2 housing was constructed each year. About half of this was to compensate for demolitions. For the development of public sector housing in the city the picture was very different from the previous period. Housing floor space only increased by 74 per cent in the 20 years from 1957 to 1976 while in the previous seven years housing stock had increased by 100 per cent.

In the late 1950s, as in the previous period, the city government had not had a house building programme. The housing department was preoccupied with regulating the private housing market and with the socialist transformation movement. By the end of the Second Five Year Plan period (1958–62) building floor space under the direct control of the city government reached 1.16 million m^2. All of this came from transferring or confiscating private properties during the previous period. A major initiative which increased the city government's role in public housing provision came in the same year. A new central policy was issued which allowed each city to raise their own income for urban development by levying additional industrial and commercial taxes (CCP Central Committee and State Council, 1962). To avoid confusion in this new local taxation system, the policy was clarified in 1963 and each city could increase its income from three sources. These were:

- a local tax on industrial and commercial activities (additional to central tax);
- a public facility tax;
- a property tax (replaced by a central re-allocation in 1973).

For the first time policy encouraged local government to build houses. Along with rent, local taxation was the major source of funds for housing and other development and maintenance until 1978. The Housing and Property Management Department in Xian started a small scale building programme in 1963 and a few small housing estates were built in the western suburbs to provide accommodation

for workers in the new electronic equipment factories. However, this development was not maintained for very long. The overwhelming emphasis placed on industrial development meant that little of these funds was used for infrastructure and housing development. In Shaanxi province only 2.7 per cent of capital investment went to general urban maintenance between 1964 and 1967. This declined further between 1968 and 1972 to 0.3 per cent (Capital Construction Commission of Shaanxi Province, 1972) and very little was spent on housing maintenance and construction. In Xian only 1.12 million m^2 were added to the city government's housing stock between 1963 and 1975 and many of these dwellings were transferred from other public institutions for unitary management. Although very few new houses were built by the city government in this period, over 4 million m^2 of new housing was constructed by the institutional and enterprise sectors.

EFFORTS TO CENTRALIZE THE MANAGEMENT SYSTEM

Responsibilities for housing management in the public sector continued to be divided between the city housing department and individual public institutions and enterprises. There were however efforts to bring some properties owned by the latter under the direct control of the city housing department. As early as 1957 central government had issued a policy calling for unitary management of urban public sector housing by housing authorities at city level (Ministry of City Services, 1957a). Under this policy, most public sector properties owned by most individual institutions were to be transferred to the city housing department. The exceptions were housing used by the army, industrial enterprises, banks, railways and higher education establishments. However no practical measures followed. In the following period more houses were built by institutions and enterprises than by city governments. In 1962 a similar policy was issued encouraging local government to take over housing from enterprises, schools, administrative and other organizations and establish unitary management and distribution through the local people's committees. However this policy was not made compulsory. Each city was encouraged to carry out testing and pilot studies before transferring. At the same time all individual public organizations were required to accept the leadership (indirect) of the local housing authority before their properties were transferred. Shijinshan District in Beijing where all housing and other

welfare functions were centralized to the district government for unitary management (CCP Central Committee and State Council, 1963) was presented as an example for others to follow.

In April 1964 Xian and five other large cities (Shenyang, Tianjin, Nanjing, Wuhan and Chengdu) were directed by central government to carry out pilot studies for transferring institution and enterprise properties to unitary housing authorities at the city level. Since Xian is also the capital for Shaanxi province there were a lot of properties owned by the provincial government and its departments. A Joint Unit for Unitary Management of Public Properties in the Xian Area was set up by the province and the city government to plan and organize transfer. The Unit produced a programme which set the principles for housing transfer, management, rent collection and maintenance (Joint Unit for Unitary Management of Public Properties in Xian Area, 1965). Under this programme properties used by Communist Party organizations and government departments at all levels (Province, City, Urban Districts) and various branches and agencies under the Party and government (for example police, shops, taxation, banks and so on) were to be centralized to the city level. Housing owned by colleges, schools, kindergartens, nurseries, clinics and publicly managed hotels were also included. This would transfer about 0.12 million m^2 of housing (the transfer also included 1.33 million m^2 of offices) to the city's Housing and Property Management Department. It would involve over 820 organizations and institutions with some sort of property management function. After transformation the city's Housing and Property Management Department would be responsible for distribution, rent collection and maintenance of these houses. The initial timetable was for the implementation of this plan in only three months from December 1965 to February 1966. In February 1966 a conference on housing management reform was held in Beijing by central government with delegates from the six pilot study cities. This Conference revised previous policies on transformation so that only school buildings were required to be transferred and properties owned by other organizations, particularly those owned by the provincial government and its departments, were excluded from further testing (Ministry of Finance and State Bureau of Property Management, 1966). This change revealed the conflict between different tiers of local government and represented a victory of the province over the city. In both political and economic terms, the province was (and still is) superior to the city within its territory. To transfer all its housing to the city for unitary management and distribution could be more efficient, but was impractical.

Because of the political turmoil caused by the Cultural Revolution which started in the same year even this less dramatic reform was never put into practice. The final result of the policy in Xian is hard to evaluate because of the lack of statistics, but the resulting tenure pattern suggests that its impact was very limited. The total stock (housing and other properties) under the Housing and Property Management Department increased from 1.3 million m^2 in 1965 to 2.2 million at the end of 1975 (Table 4.4). Much of the increase was from new building.

Table 4.4 Property directly managed by the Housing and Property Management Department in Xian in different periods

Year	Stock (000 m^2)
1949	18
1952	57
1957	468
1962	1164
1965	1296
1975	2280
1980	2780
1985	2990
1988	2990

Source: Housing and Property Management Department, 1989, p.15.

Table 4.5 Rent levels in six Chinese cities in 1958 (yuan per m^2)

City	Public sector			Private sector	
	Proposed standard rent for the public sector	Average rent paid for municipal housing	Average rent paid for institution or enterprise housing	Proposed standard rent for the private rental housing	Average rent paid in the private sector
Xian	0.23	0.18	0.05	0.30	0.21
Beijing	0.24	0.16	0.08	0.31	0.32
Shanghai	0.23	0.22	0.08	0.29	0.21
Wuhan	0.23	0.19	0.07	0.29	0.28
Guangzhou	0.23	0.21	0.09	0.29	0.31
Changchun	0.28	0.12	0.08	0.33	0.15

Source: Ministry of City Service, 1958.

For central government, there was always a problem of low rents in the public sector. There were also rent differences between people living in houses managed by Housing and Property Management Departments and people living in residential areas developed by other public institutions and enterprises. In different cities the former paid higher rents than the latter (Table 4.5). Rent rationalization began in 1955 and continued until the Cultural Revolution. In 1958 the first national City Service Conference proposed a rent policy to be applied by all public sector housing authorities. A standard formula was issued to determine the total rent of a building (Ministry of City Service, 1958). This was

$T = C + M + P + I$

T: *T*otal annual standard rent of a building
C: Annual share of *C*apital investment
M: Annual payment for *M*aintenance and management
P: *P*roperty tax
I: *I*nsurance cost

Rent for each individual household per month would be:

$R = S \times N \times A$

R: Monthly *R*ent for a household
S: Monthly *S*tandard rent per m^2 (Calculated from T)
N: *N*umber of m^2 of floor space
A: *A*djustment rate based on which direction the dwelling faced, floor levels and other factors

Along with these formulae a set of tables were published to help local housing authorities to evaluate building structures and original investment levels. At the same time central government indicated that rent should be set at 6 per cent to 10 per cent of workers salary with variation between regions. In Xian it was suggested to set it at 8.6 per cent of workers' salary. The rational argument was that if rent was lower than 6 per cent of salary it would be insufficient to keep reasonable maintenance and if rent was higher than 10 per cent it would affect workers' living standards. This policy taking each individual's affordability into consideration was in contradiction to the standard formula which only emphasized the quantity and quality of the houses. There were however connections between these two elements. Since housing distribution was linked to the person's status in office, people

with higher salaries usually occupied larger houses. Consequently higher rents would continue to be paid for better and larger properties. Rent for private housing was allowed to float up to 30 per cent of workers' salary. (Ministry of City Service, 1958)

In the period after 1954 rents appear to have declined relative to incomes. Table 4.6 refers to Changsha City and shows that average monthly rent fell in nominal terms in each year recorded between 1956 and 1977 and stabilized at a very low level historically and as a percentage of household income. Low rents had become a more severe problem in the public housing sector. In 1965 following the economic difficulties of the early 1960s, rent in most cities accounted for only 1–3 per cent of workers' salary. Many cities proposed further rent cuts in order to subsidize family incomes. Central government issued instructions in 1965 to stop rent reductions (State Housing and Property Management Bureau, 1965). In Xian in 1965 there were two different rent systems in the public sector due to different local regulations. One was applied to municipal housing and the other to the institutional or enterprise housing. The so called 'domestic rent' system was established in 1956 and applied to those who were employed by enterprises and institutions owned by the provincial and city governments but who lived in houses directly managed by the city Housing and Property Management Department. This domestic rent was also applied to the private rental sector through the Housing and Property Management Department and which managed it. In this case the

Table 4.6 Rents in Changsha City: 1951–80

Year	Average monthly rent yuan per m^2	Rent as % of household income
1951	0.24	12.6
1952	0.28	12.6
1953	0.32	12.7
1954	0.37	13.7
1956	0.31	10.4
1958	0.29	6.6
1963	0.26	5.5
1973	0.19	5.9
1977	0.095	2.2
1979	0.095	1.9
1980	0.095	1.4

Source: Huang et al., 1991, p.17.

monthly rent was 0.39 yuan per m^2 of living floor space. The second rent system, the institutional system, was established in 1964. Under this system, tenants only paid 0.11 yuan per m^2 of living floor space per month (about 27 per cent of the rent in the domestic system). This applied to public sector employees working for the provincial and city party organizations and for local government departments, central government or ministry controlled institutions located in the city and for other major mass organizations. Most of these institutions provided houses and residential areas. To narrow this difference, the domestic rent was reduced to 0.3 yuan per m^2 at the beginning of 1966 (Shaanxi Province Construction Engineering Department, 1965). At the same time, the difference between the two rent systems among people employed by the same institution was to be paid by employers rather than by employees. This eliminated the differences in rent paid by people within each organization, but not between them. The domestic rent was still 1.8 times higher than the rent paid by people in government organizations. Most of the people in large organizations had higher salaries and were allocated larger houses because of their status and qualifications. Nevertheless they generally paid a lower proportion of their salary on housing than others. This unequal rent system highlights one aspect of the social problems of the Communist system. Although there were many causes of the Cultural Revolution which immediately followed, unequal incomes and social benefits were important elements.

CONCLUSION

Urban housing reform in the period discussed in this chapter has gone through a number of phases and stages. It was not generally marked at the outset by an antagonism to all forms of private property or even all private landlords. There was an attempt to distinguish between exploitative landlords or large landlords and others. There was no general appropriation of private property and until the cultural revolution a considerable amount of private property remained in ownership. It is striking that the development of regulation varied considerably between cities. The definition of landlords whose properties should be taken into state ownership differed between areas. It is also striking that landlords and land owners were able to evade appropriation and regulation and in various ways successfully maintained their ownerships. All of these elements meant that until the Cultural

Revolution private landlords remained in operation within the Communist system and the nature of the private sector varied both in relation to local policies and their implementation and the nature of local landlords and landowners. It is important to recognize the diversity and complexity of this picture, rather than to carry an image of uniform regulation or uniform state provision. Nevertheless it is also important to recognize the extent to which the Cultural Revolution resulted in much more dramatic inroads into private ownership of property. Even then, however, private property was not eliminated, although it was nearly all owner occupied rather than privately rented. Just as profound as its effects on the private sector, the Cultural Revolution had a major impact in disrupting the development of unitary housing management and of planned investment in the housing sector.

If China had followed the same pattern as Eastern European countries or other countries recovering from the ravages of war, it might have been expected that by the 1960s an increasing amount of investment would be going into housing infrastructure and other aspects of social consumption. The steps that had begun to be taken to develop a more coherent management of housing suggests that this would have been the case in China had the Cultural Revolution not had such dramatic impact. However it did have this impact. In effect the next steps in housing development in China were delayed. By the late 1970s, when circumstances allowed the housing question to be looked at again, it had changed considerably. The need for action was greater and the ownership, condition and organization of housing required more urgent attention than at an earlier stage.

5 The Housing Boom 1978–90

INTRODUCTION

With the end of the Cultural Revolution in 1976 and the death of Mao Zedong, the Chinese government began to implement a programme – the 'Four Modernizations'. Calls were made for greater 'self-reliance' in agriculture, the upgrading of key sectors in industry, the revitalization of technology and science and the rationalization of the armed forces. The exact meaning and contents of this approach were not clear until the return of Deng Xiaoping to power. In December 1978, the Third Plenary Session of the XIth Chinese Communist Central Committee initiated several new developments. Economic reform in the rural areas, replacing the collective management of communes by a family based 'responsibility' system, contributed to the revival of agriculture in the early 1980s. The restitution of small businesses, and a shift from productive investment ('accumulation') to non-productive investment ('consumption' or social investment) had important consequences for cities and for urban housing development.

In March 1978 the Third National City Works Conference was held in Beijing with the State Council as the organizer[1]. This conference reviewed the experience of urban development since 1949 and proposed important policy changes. One of the key principles guiding development during the early years, 'first production, then livelihood' (*xian shengchan, hou shenghuo*) was criticised. The concept of the cities as primarily places of production, in which consumption aspects were regarded as unworthy of attention by socialist planners, was rejected. A document, *On Strengthening Urban Construction Works* following this Conference addressed several important aspects of urban development (State Council, 1978). These included regional development strategies, urban planning, infrastructure development and provision, urban renewal, urban services (for example commercial networks, health, educational and cultural facilities), pollution control and environmental protection, urban parks, historical heritage and tourism, suburban development, city administration and management. This comprehensive document was issued jointly by the CCP Central

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Committee and the State Council, and became the major policy statement on housing for the subsequent years.

In the document central government revealed that in relation to the official urban residents in all major cities housing shortage had reached 1 billion m^2 by 1978. It would require the investment of 80 to 100 billion yuan and a large scale house building programme, coordinated between central and local government and individual institutions and enterprises to overcome this shortage. In the same year central government increased housing investment to boost urban housing output.

This Conference also led government to change the local government finance system. In the previous years, Shenyang (the major industrial city in the north east) and Guangzhou were permitted to use five per cent of all local '**benefit income**'[2] for urban maintenance and the development of public facilities. After 1979 this special policy was extended to over 50 cities, including all provincial capitals, cities with over 0.5 million population and six historical cities. Through this special arrangement city governments' powers in relation to housing and other public facilities were increased dramatically. The objective of these policies was to increase average living floor space to 5 m^2 per person by 1985. (State Council, 1978)

The document also restated the 1963 policy on integrated urban construction. This was to bring together housing planning, design, investment, construction, allocation and management under the control of city governments. City governments were encouraged to take over, step by step, all public sector housing (except dormitories and houses located inside enterprise and industrial establishments), school buildings, public sector offices, hospitals and public sector shopping spaces. This statement was not followed by any concrete policy. Housing development and management were mainly organized separately by city government and other public institutions and enterprises. In the subsequent years, in order to build more houses, institutions and enterprises were encouraged to invest more in housing development. This actually increased the imbalance of housing stock between the city and individual institutions.

This chapter examines several major aspects of urban housing development between 1978 and 1990. They include: public sector investment in the housing stock; housing distribution and management through the work unit; public sector housing standards; urban land system reform; comprehensive urban development; and development in the private sector. Through the 1980s, various tests and experiments on urban housing reform were carried out in many cities and towns. These made important contributions to the development of housing

policies towards the end of the decade and in the 1990s. Because of the importance of these reforms Chapter 6 examines this in more detail.

PUBLIC SECTOR INVESTMENT IN HOUSING

Public spending on housing production increased dramatically after the Cultural Revolution. This was prompted not solely by the concern with housing conditions, but also by the realization that ostensibly 'unproductive' investment in housing can have a multiplier effect. As discussed in the last chapter urban housing conditions in China were very poor towards the end of the Cultural Revolution period. This resulted from a lack of investment over a long period. The return to the cities of those who were sent to rural areas during the early years of the Cultural Revolution made the situation worse. It was common to find urban families crowded in one small room using various makeshift beds. For some families, for example, the desk used by the academic father during the day was used as a bed for a young child at night. Urban housing became too important a political issue for the leaders to ignore. The document, *On Strengthening Urban Construction Works*, issued to local government by the CCP Central Committee in March 1978, warned that urban housing problems was one of many elements which could lead to social instability:

> ... severe shortage and poor repair and maintenance of urban workers' housing and other facilities... . These problems have serious consequences in production and people's living; they will cause instability (State Council, 1978).

When the urban housing shortage problems were revealed during the 1978 conference, central government took immediate action by providing a supplementary contribution (an addition to the original plans) of 2 billion yuan for urban housing development in 1978. It was hoped that this would solve the housing problems of 50 000 extra households. Funds were to be distributed through the State Construction Commission to local government and state enterprises and organizations. In 1979 4 billion yuan were provided by central government for housing development (State Council, 1978). This doubled the housing construction investment. In the following years housing investment was increased continuously both in absolute numbers and as proportion of total government capital investment (Tables 5.1 and 5.2). During the

Table 5.1 Urban housing investment in China: 1976–90 (billion yuan)

Year	National Five Year Plan	Total housing investment (all sectors)	State capital investment for housing	State technical upgrading investment used for new housing	Collective sector housing investment	Private (family, non-agri. only) housing investment	State housing capital investment as % of total capital investment
1976–1980	Fifth	29.5	27.7				11.8
1979		7.8	7.7			0.2	14.8
1980		12.7	11.2	0.8	0.3	0.4	20.0
1981–1985	Sixth	100.8	72.8	15.9	5.5	6.5	21.0
1981		14.5	11.1	2.0	0.6	0.8	25.1
1982		18.8	14.1	2.9	0.9	0.9	25.4
1983		18.8	12.5	4.2	1.1	1.0	21.1
1984		19.6	13.6	3.4	1.2	1.4	18.3
1985		29.1	21.5	3.3	1.7	2.6	20.0
1986–1990	Seventh	162.4	92.8	34.7	10.5	24.3	
1986		29.1	18.9	5.3	1.9	2.9	16.1
1987		32.0	18.1	7.5	2.1	4.2	13.4
1988		38.5	19.8	9.4	2.6	6.7	12.8
1989		33.1	18.9	6.4	2.1	5.6	12.2
1990		29.7	17.0	6.1	1.8	4.8	10.0
Total	1981–90	263.2	165.6	50.6	16.0	30.8	

Source: Real Estate Management Department of Ministry of Construction, 1995.

Table 5.2 Percentage of state capital investment for production and non-production purposes between 1978 and 1981

State capital investment	1978	1979	1980	1981
For production purposes	82.6	73.0	66.3	58.8
For non-production purposes	17.4	27.0	33.7	41.2
Of which, for housing	7.8	14.8	20.0	25.5

Source: Kang, Capital construction in China in 1981.

Fifth Five Year Plan period (1976–80) nearly 30 billion yuan investment went to urban housing construction. Of this 27.7 billion was capital investment by the state[3]. About 60 per cent of this investment was made in 1979 and 1980. During the Sixth Five Year Plan period (1981–5) over 100 billion yuan investment was used to construct urban housing. Although the share of housing investment in total capital investment declined from its peak of 25.4 per cent in 1982, the amount of housing investment increased through the whole period from 14.5 billion yuan in 1981 to 29.1 billion in 1985. Some 75 per cent of funds for urban housing was capital investment by the state but investment by other sectors, particularly the collective sector and individual families also increased.

These new initiatives resulted in a dramatic increase in housing floor space in cities (Table 5.3), particularly in the public sector (Table 5.4). During the Fifth Five Year Plan period, about 267 million m^2 of housing was built. Of this over 66 per cent was built in 1979 and 1980. Because housing problems were associated with a lack of investment, no major change was made to the funding and investment system; 95 per cent of new housing was financed by the state through capital investment and technical upgrading and transformation plans. The urban collective sector built less than 2 per cent of new housing. Due to the relaxation of political pressure, urban family based private house building emerged into a recognizable sector after 1979. Between 1979 and 1980, individual family house building accounted for about 5 per cent of new housing constructed. In order to solve young people's housing problems, a few large cities built specially designed apartments for sale to young couples. Shanghai built about 50 000 m^2 of 'love-birds' apartments which could provide first homes for 2000 young couples. During the Sixth Five Year Plan period, a total of 648 million m^2 of new housing was added in urban areas; 81 per cent was constructed through state capital investment and

Table 5.3 Urban housing completions in China 1976–90 (milllion m^2 floor space)

Year	National Five Year Plan	Total housing area completed (all sectors)	By state capital investment	By state technical upgrading investment used for new housing	By collective sector	By private families, (non-agricultural only)	Average cost: Yuan/m^2 floor space
1976–80	Fifth	266.9	234.9	18.5	4.5	9.0	
1979		74.8	62.6	8.0	1.7	2.5	100
1980		102.1	82.3	10.5	2.8	6.5	113
1981–85	Sixth	648.3	423.1	104.3	35.4	85.5	
1981		110.7	79.0	14.4	4.3	13.0	128
1982		131.5	90.2	21.1	6.6	13.6	135
1983		129.4	81.2	26.5	7.9	13.8	151
1984		123.5	77.0	22.1	7.7	16.7	160
1985		153.2	95.7	20.2	8.9	28.4	177
1986–90	Seventh	632.3	312.6	120.2	40.9	158.6	
1986		148.4	89.2	21.8	9.7	27.7	196
1987		137.2	64.5	29.0	8.8	34.9	213
1988		140.0	60.1	30.5	9.0	40.4	241
1989		109.5	50.6	20.5	7.0	31.4	290
1990		97.2	48.2	18.4	6.4	24.2	316
Total	1976–90	1547.5	970.6	243.0	80.8	253.1	

Source: Real Estate Management Department of Ministry of Construction, 1995.

Table 5.4 Housing tenure in cities at the end of 1981

Tenure	All properties million m^2	Housing	
		Million m^2	% of all tenures
Public ownership	1410	584	82.2
Local government	280	204	28.7
Work units	1130	380	53.5
Private ownership	130	126	17.8
All tenures	1540	†710	100.0

Note: Statistics refer to the 225 officially defined cities
† This is construction floor space, an equivalent of 380 million m^2 of living floor space which gives an average floor space 4.12 m^2 per urban resident

Source: Almanac of China's Economy 1983, p.IV–103.

technical upgrading, and transformation investment. The collective sector and individual housing development increased during this period, contributing 5.5 per cent and 13.2 per cent of new housing respectively. The amount of house building began to vary significantly between cities. In Beijing, for example, housing construction floor space completed in 1978 was 1.6 million m^2. In 1980 it increased to 3.36 million m^2 and in 1982 to over 4.3 million m^2. In 1979, about 61 per cent of property built in the city was housing. In 1980 this had increased to 68.8 per cent. In Xian from 1977 to 1980, the total volume of new construction for all uses was 3.06 million m^2 floor space, of which 58 per cent was for housing (Housing and Property Management Department of Xian, 1982). The aggregate volume of residential construction achieved in Xian during this four year period was equal to three-quarters of the city's entire housing stock in 1949. From 1983 on, in order to ensure investment for energy and transportation projects, central government and most provincial governments started to reduce investment in housing. Because of earlier investment, housing completions in most provinces still increased in 1983. In Shanghai for example, a record 4 million m^2 of housing was completed in the city.

Although central government still encouraged initiatives from central and local government and work units and individuals, more and more attention was placed on the work units and individuals. In 1984, despite the decrease in state investment the contribution of the

other sectors meant that investment overall increased and the output of housing floor space declined only slightly. This was also affected by increases in unit building costs because most housing was financed by enterprises which had to purchase building materials at higher prices and because labour costs rose. During the five year period, unit housing construction costs increased by nearly 40 per cent from 128 yuan per m^2 in 1981 to 177 yuan per m^2 in 1985.

Tables 5.1 to 5.3 indicate that urban housing development was dominated by state capital and technical upgrading investments. This, however, does not mean that all resources came directly from central and local government. Changing economic policy increased the financial management power of enterprises and other government organizations and this enabled them to retain some funds for housing development. This spending was eventually reflected in the state economic plans. Public sector housing development was dominated by the work units. Between 1979 and 1985, about 60 per cent of housing investment came from enterprises and institutions. In some regions it was as high as 80 per cent. Many local administrations tried to encourage enterprise and work unit housing. Liaoning Province, for example, encouraged work units to build housing using its own savings. The province provided a 30–50 per cent subsidy for basic materials including timber, cement and steel. It also simplified land acquisition and compensation procedures for work unit housing. In some cities, bank loans and funds accumulated from down payments for home purchase were used for the first time to finance housing development on a commercial basis.

Large scale increases in housing investment resulted in different types of housing schemes. More and more large-scale housing estates separate from work units were constructed. Changzhou city in Jiangsu Province started to build well designed housing estates after the Cultural Revolution. The first such estate, Garden New Village (*huayuan xincong*) was completed in 1981 and the second one, Qingtan Xincong was completed in 1982. These estates attracted a lot of attention from the house building industry. The then State Urban Construction Bureau held a conference in the city to spread this experience. Improved building techniques enabled the construction of multi-storey flats and these blocks began to appear on the skylines of most large- and middle-sized cities. The smaller cities built somewhat lower housing blocks due to the lack of financial resources. The following comment was made on one new housing estate in Beijing by a Western observer in the early 1980s:

On the edge of the city there are several more recent large-scale integrated housing schemes. One such is the Tuanjiehu scheme which was commenced in late 1976. The Tuanjiehu Residential Quarter, as it is called, lies on the extreme east of the built-up area. It covers an area of 40.3 ha and provides a total floor space of 560 000 m^2. It is an integrated project which includes auxiliary buildings for such purposes as schools, nurseries, cultural activities and medical services, as well as for shops, markets and some service trades. In all these auxiliary uses take up 17 per cent of the completed floor space, leaving approximately 465 000 m^2 for housing purposes. Given that the envisaged population of the scheme is 30 000, this would indicate a built up area of approximately 15 m^2 per person, and at the usual ratio in China for new construction of 55 per cent, would imply a housing standard of 8.25 m^2 of living space per person. The scheme consists of 15 per cent one-room flats, 70 per cent two-room flats and 15 per cent three-room flats; the one-room flats being for newly married couples, and the one living room, as in the case of the other flats, being supplemented by a small kitchen and a toilet or bathroom. Heating is provided to each flat from a central coal-fired boiler house. As with other major housing developments, the Tuanjiehu development as a whole presents a strictly utilitarian aspect. The housing blocks are laid out regularly in rows, three-quarters of them consisting of five to six floors and the remainder of ten to sixteen floor buildings. Both open space and landscaping are minimal.

The Tuanjiehu project is currently being replicated in three other parts of Beijing; and is being repeated widely in China's other major cities.... (Dwyer, 1986).

Although housing floor space built in urban areas in China during the Sixth Five Year Plan period accounted for 48 per cent of all floor space built between 1950 and 1985, and involved an average of 16 apartments per 1000 people per year, the urban housing shortage problem was far from solved by the mid 1980s. Apart from the housing shortage some other problems became more prominent. These included:

- Unequal distribution between work units. It was reported that housing improvement was very slow in many small work units, particularly the small enterprises in the urban collective sector and some non-profit organizations, such as schools.

- The standard of some new housing was too high. More larger units were built for the powerful (high status groups), and this resulted in less housing for others. Apart from floor space, other internal facility costs were also increased in these larger units.
- Corruption in the distribution of housing was widespread.

To assess these problems, the Chinese government in 1985 carried out a major housing survey in urban areas including county towns. The results revealed some important features of urban housing and for the first time provided reliable quantitative data on the urban housing stock and living conditions. (Population Statistics Department of the State Statistics Bureau, 1989)

The Survey was carried out on 31 December 1985, and covered 323 cities, 1951 counties, and 5270 towns, and independent industrial districts in 28 provinces or cities. It involved a population of 150 million and properties with aggregate floor space of 2834 million m^2. As Table 5.5 shows about 48 per cent of all properties in urban areas were used as housing. Within the housing sector, the proportion of purpose built unit housing was only 34 per cent. About 6 per cent was dormitory housing and the majority (60 per cent) of urban housing was classified as 'other types'. This latter category included traditional

Table 5.5 Housing Survey 1985: property and dwelling types

Property types	Million m^2	%
Total floor space:	2833.9	100.0
Housing	1363.8	48.1
Dormitory	85.4	6.3
Houses or flats	*464.0	34.0
Other housing	814.4	59.7
Industry, Warehouse etc.	909.9	32.1
Education, Hospital etc.	222.7	7.9
Offices	97.7	3.5
Commercial etc.	179.8	6.3
Cultural Facility	29.3	1.0
Other	31.1	1.1

Note: * There is no statistics on the number of houses in China. This figure is equivalent to about 8.25 million houses or flats based on the average size of houses or flats at 56.23 m^2

Source: Population Statistics Department of State Statistical Bureau, 1989.

housing with various extensions made to it over a long time. These properties were generally of poor quality with only basic facilities.

Although the national average living floor space per capita increased dramatically from about 3 m^2 at the end of Cultural Revolution to over 6 m^2 in 1985, not every one's living conditions improved over this period. Half of the 26 million households surveyed lived in dwellings with less than the national average 6 m^2 floor space per person. Nearly 30 per cent of households occupied housing with over 8 m^2 floor space per person, a standard the government set to achieve generally by 2000. Over 16 per cent of households occupied accommodation of over 10 m^2 per person (see Table 5.6). About

Table 5.6 Housing Survey 1985: Living conditions and problems

	No. of households (1000)	%
A. Living floor space per person*		
Under 2 m^2	1 417	5.4
2–4 m^2	4 126	15.8
4–6 m^2	7 264	27.8
6–8 m^2	5 825	22.2
8–10 m^2	3 230	12.3
Over 10 m^2	4 330	16.5
Total number of households	26 194	100.0
B. Total number of households with problems	7 541 (28.8%)	100.0
No appropriate housing	870	11.5
No independent home after marriage	308	
In buildings not for housing	209	
In temporary housing	266	
Living with relatives	86	
Inconvenient (share one room)	3 165	42.0
Three generations	396	
Parents and adult child	1 951	
Grown-up brother and sister	729	
Two family	89	
Overcrowded	3 506	46.5
Under 2 m^2	568	
2–4 m^2	2 938	

Note: * National average: 6.10 m^2 per person
Source: Population Statistics Department of State Statistics Bureau, 1989.

29 per cent of the households surveyed, reported problems: 11.5 per cent had no appropriate housing (homeless); 42 per cent lived in inconvenient conditions and 46.5 per cent were in accommodation with less than 4 m^2 per capita (Table 5.6). The survey also provided information on the provision of facilities within urban housing (Table 5.7). In comparison with advanced industrial countries these figures indicate a very low level of exclusive use of basic amenities.

The Seventh Five Year Plan (1986–90) was the most important one for economic reform. Although the economic reform programme began in 1978, initially most changes had been in rural areas. The old centralized economic planning system employed in the urban areas largely remained. In 1984 the Chinese government formally introduced the economic reform programme in the cities. This programme introduced a series of changes to the management of the urban economy, with more powers for local government and the managers of state enterprises. Economic development in different regions could go ahead at different speeds to improve efficiency. These changes led to

Table 5.7 Housing Survey 1985: provision of facilities

Household facilities	No. of households (1000)	%
Total number of households	26 194	
Exclusive use of kitchen	16 046	61.3
Shared use of kitchen	2 289	8.7
No private kitchen	7 859	30.0
Exclusive use of toilet	7 910	30.2
Shared use of toilet	3 233	12.3
No private toilet	15 051	57.5
With bath/shower	1 981	7.6
No private bath/shower	24 213	92.4
With water supply	16 331	62.4
Shared use of water tap	5 042	19.2
No direct water supply	4 821	18.4
Use of electric light	25 487	97.3
With gas supply	3 016	11.5
Shared use of gas supply	83	0.3
No gas supply	23 095	88.2
With heating	3 013	11.5

Source: Population Statistics Department of State Statistical Bureau, 1989.

a proportionate reduction in state housing investment. As Table 5.1 shows, state capital investment in housing remained at around 18 billion yuan a year. Because of the expansion of the national economy, state housing investment as a proportion of all state capital investment declined year after year. By the end of the period, state capital investment in housing had fallen to 10 per cent, compared with a peak of 25.4 per cent in 1982. The level was more comparable to that existing before 1979. However in cash terms investment throughout 1986 and 1990 remained above that of any year before 1985. Housing floor space completed by the public sector declined in absolute terms because of increased building costs. The total floor space built by all sectors during the Seventh Five Year Plan period declined by 16 million m^2 (2 per cent over the previous period) and the state sector contribution (including the technical upgrading investment) declined from over 80 per cent to 68 per cent. The floor space built with state capital declined most – from about 90 million m^2 in 1986 to 48 million m^2 in 1990. The contribution of private individuals became a very important element in urban housing provision toward the end of the period. (Figure 5.1 and 5.2)

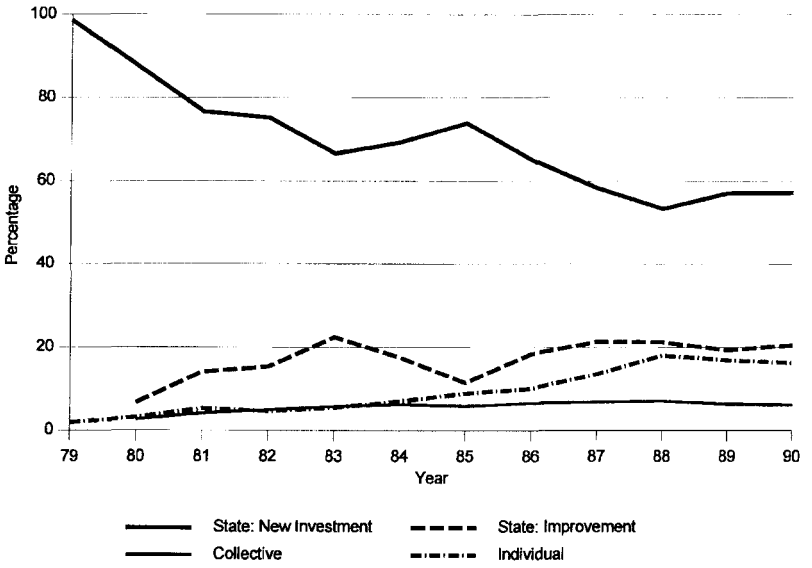

Figure 5.1 Percentage of housing investment by different sectors: 1979–90
Source: Real Estate Management Department of Ministry of Construction, 1995.

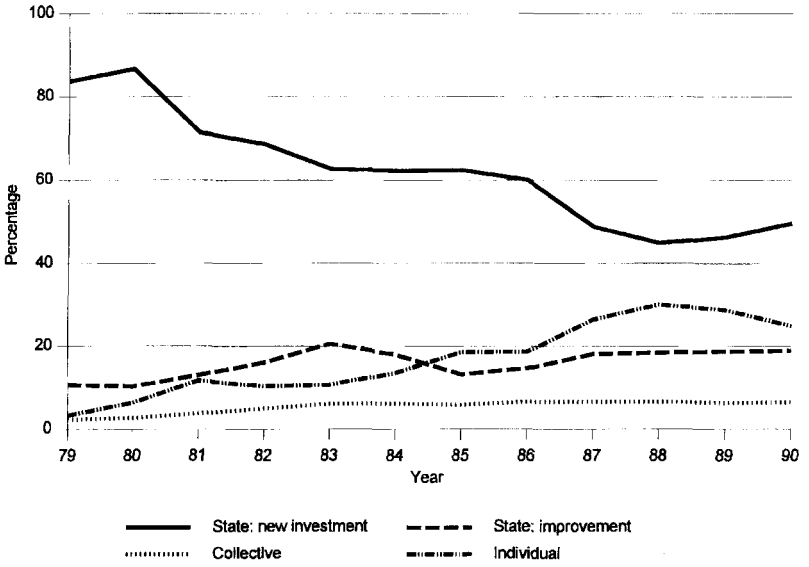

Figure 5.2 Percentage of housing floor space built by different sectors: 1979–90
Source: Real Estate Management Department of Ministry of Construction, 1995.

Regional variations in economic performance and public sector housing investment had begun to appear by 1986. In several coastal cities and provinces housing investment increased between 1985 and 1986: in Shanghai by 27.7 per cent; Jiangsu 13.3 per cent; Zhejiang 12 per cent; Shandong 8.7 per cent; and Anhui 0.5 per cent. Guizhou Province in the southwest just matched the investment level of 1985. In all of the other 24 provinces and autonomous regions there was a reduction in housing investment. The reduction in Tianjin, Tibet, Inner Mongolia and Ningxia Autonomous regions was dramatic – between 37–53 per cent. New housing started and completed in the year showed a similar patterns of variation. The differences between Shanghai and Tianjin are interesting. Shanghai and Tianjin are both important national cities directly controlled by central government. For decades before the economic reform, Shanghai and Tianjin, as the largest industrial cities in the country, had been under strict control through economic planning. Most industrial and commercial incomes generated in these cities were invested in other parts of the country to achieve balanced development. Since the urban economic reform,

new management powers were granted to these cities. Shanghai, benefited from its historic background and its favourable location in the country and performed better than Tianjin which suffered from its proximity to the neighbouring national capital, Beijing. In terms of housing development in 1986, Shanghai was at the top of the list while Tianjin was at the bottom (Table 5.8). Zhejiang Province was another good performer in housing development. Its success in economic development enabled the government to spend more on urban housing and in 1986 the provincial government introduced new measures to sustain housing output and added housing investment subsidy as a new item in their annual economic planning. It also required each lower tier local government to devote 1–2.5 per cent of their local investment budget as a subsidy to enterprises and work units which did not have sufficient funds for housing development.

Table 5.8 Housing development in Shanghai and Tianjin in 1986

	Change over 1985%
Shanghai	
Public Sector Housing Investment	27.7
New Housing Started	8.3
New Housing Completed	0.5
Tianjin	
Public Sector Housing Investment	–52.1
New Housing Started	–41.7
New Housing Completed	–61.1

Source: Almanac of China's Economy, 1987.

After about 10 years of large scale development, general urban housing conditions improved and many residents enjoyed better housing than before. Although shortages were still serious because of the increase in the urban population, government policy shifted away from guaranteeing large scale capital investment in housing. There were a number of reasons for this change. Firstly, ever increasing housing investment was squeezing out other economic development. During the middle 1980s, the lack of investment in communication, transportation, energy and other facilities caused great concern to economic planners and it became necessary to shift state investment away from housing and towards these areas. Secondly, urban economic reforms designed to improve efficiency in the public sector had

important implications for housing provision and the salary system. The underlying principle of work unit housing (housing should be near to the work place) was now seen as one source of inefficiency in the economy. The reformers wanted to see a break between housing provision and employment. This posed fundamental questions for centrally planned housing development. Thirdly, economic reform resulted in the revival of other sectors of the urban economy including private and joint venture schemes with overseas investment. The new ownership pattern resulted in urban economic restructuring with important effects on urban land use. Attention shifted away from peripheral work units to new activities in central areas including shopping, small businesses, high technology enterprises, offices, tourism and hotels. This shift in attention had raised a new agenda about the urban renewal and redevelopment of older city centres. In 1987 pre-1949 poor quality and dangerous housing stock built before 1949 accounted for 20–30 per cent of dwellings in most cities and about 30 million m^2 of old housing in 370 cities required improvement (*Almanac of China's Economy*, 1988). For several years some cities had combined central area renewal with new area development. In 1987, about 15 million m^2 of housing was demolished or improved. Finally, and more importantly, the housing problems of key groups including those senior and long service party and government officials, academics and professionals had been solved. It was these people who posed a potential threat to the stability of the government. Although housing shortage was still a problem, the social and economic groups affected by it were different from these immediately after the Cultural Revolution. They were now the young, less experienced and less powerful. They could be expected to wait before being housed properly while other priorities were addressed.

Although housing investment during the seventh Five Year Plan period no longer followed the steady upward trend established during the previous period, there was no major reduction in housing floor space completed. In reviewing the period, the Ministry of Construction identified several achievements (Ministry of Construction, 1993):

- At the beginning of the period, the government anticipated that about 650 million m^2 of housing should be built between 1986 and 1990. The actual floor space built was 630 million m^2. In 1990, the average floor space of housing per capita in all urban areas was 7.1 m^2. In officially defined cities it was 6.7 m^2. Residents in small towns enjoyed slightly more space than those in cities.

- This period also saw many important experiments in urban housing reform and housing reform organizations were established at all urban government levels (see Chapter 6).
- The property development industry became an important sector of the national economy. There were 8700 enterprises engaged in property development, management and repair in 1990 and these employed over 2.4 million people. It was estimated that the annual output value of the property industry was around 50 billion yuan in 1990.
- Urban comprehensive development became a major form of urban construction, replacing the piecemeal development carried out by numerous work units. The main products of urban comprehensive development were commercial housing estates. During the five year period annual commercial housing for sale was about 30 million m^2. Although most of this housing was bought by public sector employers for their employees, the sale to individuals increased. In 1990 28.7 per cent of commercial housing was sold to individual families.
- There were important developments in the urban property market. There were over 1500 trading organizations in 1990. Over the five year period, more than 58 million m^2 of property had changed hands through these trading centres – half of this in 1990 alone. An active housing, land and property market was emerging.

The Construction Ministry identified several problems. Firstly, rapid urban population increase and the high proportion of people in the household formation or marriage age group had reduced the improvement in urban housing conditions. In the officially defined cities there were 5.3 million urban households living in poor conditions (less than 4 m^2 of floor space per person) and 420 000 of these households had less than 2 m^2 of housing floor space per person. In addition some 32.2 million m^2 of existing urban housing were dangerous properties which required urgent improvement or redevelopment. Secondly, there was serious inequality in housing distribution between urban residents. Thirdly, lack of experience and of established regulations and legal guidance had produced problems in the new property development industry. Many local governments did not have formal authority to regulate this sector and this resulted in confusion, waste of resources and loss of incomes which should have accrued to the state.

MANAGEMENT AND DISTRIBUTION: THE WORK UNIT

The previous chapter showed that the major responsibilities for housing provision in the cities of China rested with the work units and municipal government. During the early period, only large work units (large industrial establishments, government institutions such as universities, colleges and hospitals), had funds to build housing for their employees. These funds were strictly controlled through economic planning. For profitable enterprises, all income was handed to the government. The level of investment in housing by each work unit was determined by the government. Smaller work units relied on the municipal government for housing. Since the end of the Cultural Revolution, more work units were allowed to develop housing either using central funds or their own funds. As a result work units providing their own housing increased. This applied both to large semi-independent enterprises and institutions, but also to some government departments. One might expect that the majority of municipal employees would be housed in municipal housing. However, municipal government itself is a work unit and has its own housing areas for its own employees. In Xian city, for example, the Municipal Housing and Property Bureau has its own housing stock for its employees. This has a different location, quality and provision of facilities than general municipal housing. Municipal housing comprises a collection of nationalized private properties with some small scale additions in the 1970s and 1980s. The residents mostly came from the previously private rental sector and are not employed by large powerful work units. The urban renewal programmes in some cities have demolished some private housing in the central areas with new housing built in peripheral areas by municipal governments to rehouse those displaced.

At the beginning of the 1980s 82 per cent of urban housing was provided by work units (53.5 per cent) and municipal governments (28.7 per cent) (see Table 5.4). Since the majority of housing built during the 1980s was built by work units, the proportion of municipal government housing actually declined towards the end of the decade. There is no available data to verify this at the national level, but the experience in Xian city illustrates this pattern. Table 5.9 shows the progress in housing and other building development in Xian. Between 1980 and 1988, total housing floor space in the city more than doubled from 10.5 million m^2 to 22.4 million m^2. Work units' housing increased

Table 5.9 Housing development in Xian: 1980 and 1988

	1980	1988 1000 m^2	% Increase	Annual average increase
Building Floor Space in Stock				
City government	2 773	3 010	8.5	30
Institution/Enterprise	20 981	44 660	112.9	2 960
Private	1 491	3 010	101.9	190
Total	25 245	50 680	100.8	3 180
Housing Floor Space in Stock				
City government	1 768	2 320	31.3	70
Institution/Enterprise	7 191	17 410	142.1	1 280
Private	1 491	2 650	77.7	150
Total	10 450	22 380	114.2	1 490
New Building in the Year				
City government	38	40	5.0	
Institution/Enterprise	1 337	1 800	34.6	
Private	25	270	972.0	
Total	1 400	2 110	50.7	
Housing Built in the Year				
City government	34	30	−11.8	
Institution/Enterprise	841	880	4.6	
Private	25	260	940.0	
Total	900	1 170	30.0	

Sources: Housing and Property Management Department of Xian, 1982, 1989.

by 142 per cent; private housing by 78 per cent; and city government housing by 31 per cent. In the work unit sector the average annual housing floor space increase was over 1 million m^2. The city government stock shows an average annual increase of 70 000 m^2, and during the eight years the share of the housing stock owned by the city government fell from 17 per cent to 10 per cent. This is in contradiction to the government policy set at the end of 1970s to promote unitary housing development and management.

Only large work units had sufficient funds to build housing every year. For example, some central government sponsored universities had a building programme throughout the 1980s with several construction firms on the campus engaged in housing and other developments. Shaanxi Teachers University in Xian was founded in the 1950s.

The residential quarter inside the campus wall was developed in the 1950s with mainly single-storey tiled roof houses and dormitories. Following the expansion of higher education after the Cultural Revolution, the university employs over 3000 people (academic and supporting staff). Houses developed in the 1950s and 1960s were systematically demolished and replaced by tenement flat buildings of 5- or 6-storeys through the 1980s. There was always at least one development company working in the university. By 1993 the university owned no less than 32 multi-storey residential buildings. Of these ten were 6-storeys; fifteen 5-storeys; five 4-storeys and two 3-storeys. Together they provide 1222 flats, enough for about 35 per cent of all staff employed by the university. In a high proportion of cases both husband and wife work in the university. In other cases one partner (usually the husband) works in another nearby work unit and they have their homes there[4]. In 1993 more than 35 per cent of staff lived in flats. In addition to these housing units, there were several new buildings and some old simple buildings used for dormitories by junior and younger staff.

In middle-sized work units (enterprises or government institutions) there was only occasional house building. To obtain a better house meant waiting for a long time until the next new housing was available. Table 5.10 gives an example of house building in a middle-sized government department in Xian[5].

The allocation of housing in most large institutions and enterprises was based on their own policies. The usual practice was to establish housing queues with points awarded in consideration of (administrative or professional) status, age, years of service, marital status and sometimes other family circumstances. People at the top of the queue were allocated to new flats with more space and better facilities than their previous accommodation. Other people would step up in the queue and might move into flats released by people who have moved into new ones. Although corruption in housing distribution and abuse of official position were frequently reported and widespread in most organizations, the distribution process was relatively open for public scrutiny in this decentralized system.

Increased house building after 1978 was not accompanied by any reform of the rent system. Rents by this time represented a very small proportion of the incomes of urban households (see Tables 4.5 and 4.6). Although this could be considered necessary with low wages and price increases for commodities such as food and clothes, low rents aroused concern about funds for housing investment. In 1984, the

Table 5.10 Housing owned by a government department in Xian 1970–92

Year of building	Floor areas m^2	Number of storey	Number of units in the building	Average size of units m^2	as % of all units
1970[1]	2952	4	72	41.0	15.3
1982[2]	2146	5	40	53.7	
1984[2]	1278	4	24	53.3	
1984a[2]	1278	4	24	53.3	
1984b[2]	1712	5	30	57.1	59.2
1989[2]	na	4	16	–	
1990a[2]	4000	6	72	55.6	
1990b[2]	4000	6	72	55.6	
1985[3]	1852	5	30	61.7	
1988[3]	4026	6	66	61.0	25.5
1992[3]	1752	6	24	73.0	

Note:
1. In this block three families share one toilet facility
2. These buildings with an average unit size of 52 to 57 m^2 were built by branches of the department located in various sites in the city
3. These buildings with an average unit size over 60 m^2 were built for its senior employees in its central offices. There are usually variations in the size of units within a block

In both the branch housing and the central housing blocks, there are larger flats for leaders or senior officers. There are also smaller flats for ordinary families

Source: Civil Engineering Department of Xian, 1993.

Ministry in charge of urban development began to suggest public sector rent reform. A very gloomy picture of the rent system was reported. In the four years between 1979 and 1982, over 400 million yuan had been invested in housing in the whole country. Total rent income was only about 5 million yuan a year. About 60 per cent of this rent income was used for management fees and property tax. The remainder was only sufficient for one-sixth of the costs of simple maintenance and repairs. (Ministry of Urban and Rural Construction and Environmental Protection, 1984). This non-return on investment put great pressure on the government and could not easily be sustained.

In the early 1980s the rent for a flat of 50 m^2 floor space was 5 yuan a month at most. Some rents were only 1 yuan a month (less than 5 per cent of a single person's wage). If more than one person in the

family was in employment housing costs were negligible. This encouraged over consumption by people with easy access to housing. It also encouraged decisionmakers to build larger apartments for their own benefit, particularly in the institution and enterprise sectors. As a result, through the early 1980s, central government periodically issued regulations to reduce the size of new housing units (State Council, 1983).

HOUSING STANDARDS IN THE PUBLIC SECTOR

There was a consistent conflict over housing standards in the public sector between the wishes of residents wanting well designed large houses with good facilities and surrounding environments, and issues associated with limited available investment funds, the lack of necessary materials, the large number of people on the waiting lists and the desire to preserve good quality agricultural land. These factors led government to build small, high density housing. Several mechanisms were and still are, in existence to control the standards of public sector housing, particularly for public sector employees. A design index was employed to balance the land use associated with different urban economic sectors. Although land use in different cities varied according to the nature of each city, more uniform residential land use planning was produced. Regulations produced by central government in the 1980s allowed city planners to allocate 8 to 11 m^2 of residential land for each person in the short term. In the longer term this standard could be increased to 12–19 m^2. Along with this residential land allocation, land was also allocated to public facilities, public open spaces, roads, squares and other purposes. (Table 5.11). The average floor space per person was to be 5 m^2 in 1980. In order to achieve this within the land allocated for residential use 5- to 6-storey buildings would have to be built.

In 1977 before this planning index was introduced and in order to regulate housing development for industrial workers the State Construction Commission proposed a housing design standard for all local authorities:

> In designing housing, the average construction floor space per family, in principle, should not exceed 42 square metres. If prefabricated materials and structures are used, it could be increased to 45 square metres. In provincial government organizations, higher

Table 5.11 Design standard for urban land use 1980

Land use	Average land use per person: m^2	
	Short term (5 years)	Long term (20 years)
Strategic planning at city or town level		
General residential land use	24–35	40–58
Housing	8–11	12–19
Public facility	6–8	9–13
Public green space	3–5	7–11
Road and squares	6–10	11–14
Other	1	1
Detailed planning at local level		
In each residential district (40 000–50 000 people)	19.5–29	
Neighbourhood	14.5–22	
Public facilities	1.5–2	
Green space	1–2	
Roads and square	1.5–2	
Others	1	
In each neighbourhood (about 10 000 people)	14.5–22	
Housing (most 4–6-storeys)*	8–11	
Public facilities	3.5–5	
Green space	1–2	
Roads and squares	1–3	
Others	1	

Note: * Housing should be 5- to 6-storeys in large- and middle-sized cities and 4 to 5 storeys in small cities, industrial districts and towns

Source: State Capital Construction Commission, 1980.

educational and scientific research institutions, the standard may be slightly higher, but the average floor space per family should not exceed 50 square metres (State Council, 1978).

There was no specific policy on how large family houses should be for particular social groups. In the following three years, a majority of local authorities thought that there should be higher standards for the design of housing for leaders and academics in various ranks. As a result the standard was revised in 1981 by the State Construction Commission. The new regulation set four different standards for different social groups (Table 5.12).

Table 5.12 Urban housing design index 1981

Category	Average construction floor space (m^2)	Targeted social groups
I	42–45 50	a) workers in new industrial establishments. b) workers in new and remote industrial areas.
II	45–50	c) urban residents, d) workers in old industrial establishments e) officials and general employees in county level governments, cultural, health, research and design institutions.
III	60–70	f) lecturers, assistant research fellows, engineers, doctors and other professionals at the same level g) government leaders at county governor level
IV	80–90	h) professors, chief engineers, senior doctors and other professionals at the same level g) government leaders at (1) departmental director levels of the Ministry, other State Council organizations; (2) bureau director level of provincial level government; (3) prefecture governor; (4) other leaders at the same level.

Source: State Urban Construction Bureau, 1981; State Council, 1983.

Construction floor space includes all usable space in the house and the space occupied by internal and external walls[6]. To save construction materials, the height of each storey was controlled at 2.8 m. Reduction in storey height could be used to increase the floor space by a maximum of 3 m^2 per unit. High-rise blocks with lifts could increase each unit by 6 m^2. The intention of this policy was to control the building of large flats and increase the number of housing units. In the early 1980s, most new housing consisted of individual family flats in 3- to 7-storey walk up buildings with balconies, hall, kitchen and toilet. Some included space for household electronic equipment such as refrigerators and washing machines. All had basic facilities such as water and electricity supply. Although coal was still the dominant fuel for domestic cooking and heating, some institutions and enterprises provided gas and hot water to their tenants (employees). In some coastal cities, well designed residential estates were developed (for example *qingtan xincong* in Guangzhou and *qingyang xincong* in Wuxi City) and in these housing estates, new layouts were tried to change the regular military camp style of design.

By the middle of the 1980s, independent family apartment housing had become standard in most cities. In 1987, the Deputy director of the Urban Housing Bureau (Ministry of the Urban and Rural Construction and Environmental Protection) Mr Zhu, outlined the general standards envisaged by the government at the time:

> Each house would be an independent apartment with sitting room, bedrooms, kitchen, toilet and storage area, and the minimum area would be: double bedroom: 9 m^2; single bedroom: 5 m^2; sitting room: 12 m^2; kitchen with gas stove: 3.5 m^2; kitchen with coal stove: 4.5 m^2; kitchen with firewood stove: 5.5 m^2; toilet: 1.1 m^2; washroom: 1.8 m^2.

Although these standards played a very important role in guiding housing development after the Cultural Revolution, they were seen by some local authorities and work units as the minimum standard for housing design in their organizations. Flats smaller than 42 m^2 were no longer built apart from special buildings for sharing or dormitories. More and more larger flats were built. 'Many local authorities and work units produced their own design standards and illegally breached the national regulations. The floor space for leaders housing got bigger and bigger and the standard higher and higher.' (State Council, 1983) Central instructions were issued to 'strictly control

urban housing standards'. The consequence of larger units was to reduce the number of units built.

In the 1970s, only 177 high-rise tower blocks had been built in the whole country. House building technology improvements made high-rise building possible after 1978. The national strategy to save good quality agricultural land on the urban fringe also encouraged building at high density. Traditional houses of one- or two-storeys were no longer built and many cities limited the numbers of buildings under three storeys. As a result, the 1980s saw an increase in high-rise tower block housing in Chinese cities. About 400 000 m^2 of high-rise building was completed in 1980 alone. In Guangzhou, a whole district (*lixin*) was redeveloped into high-rise blocks. From 1983 onward, high-rise housing increased dramatically. In Beijing, Shanghai, Tianjin, and Guangzhou, high-rise building increasingly dominated the skyline.

URBAN LAND SYSTEM REFORM

After the Land Reform carried out in China in the early 1950s, urban land was owned by the state (the city government directly) and rural land (including that in suburban areas) was owned collectively by the rural communities (communes before 1978 and villages since then). Whenever urban expansion required more land, the city government would acquire agricultural land from villages by reducing the land tax, paying compensation and transferring some working age farmers from rural residence to urban residence and arranging employment for them in the city. This state acquisition of collective land was subject to central and local government regulation. In the urban area, land management was characterized by state direct allocation of land to various state owned land users such as enterprises, administrative bodies and public institutions. Under the planned economy the majority of urban land users were in public ownership. (Tang, 1994) This land use planning system had a number of associated problems. Firstly, no account was taken of land values and particularly of locational value. Land in the city centre and in the suburbs were treated the same. Although a flat rate of property tax was charged, the city government was always short of funds for infrastructure construction. Secondly, because land was allocated free each institution tried to get as much land as it could. This caused serious land waste in some areas and overcrowding in others. Thirdly, transfers of land between institutions with a surplus and those with a shortage became almost impossible and very high

compensation was involved. (Cai, 1990; Liu and Yang, 1990) Where land was allocated or transferred the rights involved related to the use of the land and they were not owners in the sense that they could sell land on or exchange it, although in some cases they could sell the use right (see below). The distinction between a user right and a property right is fundamental both in land and housing.

These problems became more serious and complicated after 1978. Urban economic reform changed the composition of the urban economy dramatically and there was a large scale increase in non-public ownerships (enterprises with foreign investment or purely private investment). Land transfers based on market or price signals became inevitable (Chi, 1991; Dowall, 1993; Yeh and Wu, 1996). Vast areas of farm land have been transferred to non-agricultural use, especially in suburban areas, through selling, renting, and contributing land as shares in shared enterprises. In some cases land sales and rentals were completed by local governments, although land market transactions were illegal before 1987. In most cases farmers or collectives sold or rented their land secretly to enterprises or companies that were eager to obtain land. In practice a black market in land had emerged (Qu *et al.*, 1995). In 1986, with the permission of central government for the first time, several land plots were sold by local government in Shenzhen City (the first Special Economic Zone) to foreign investors in order to search for more realistic urban land management. Since then, more and more rural land has been rented or sold to foreign or joint enterprises or other companies. In April 1987 the then Premier raised the issue of paid transfer of land. This marked the start of officially commercialized management of urban land in the country. In March 1988, The Chinese National People's Congress, on the advice of the CCP Central Committee revised the Constitution at its Seventh Conference in respect of two important points:

i) allowing the legal existence of the private sector in the economy, and
ii) legalizing the paid transfer (sale) of the use right of state owned land. (*People's Daily*, overseas edition, 14 March 1988 p.1)

In December 1988, the National Congress amended the only national Land Management Act (1986) on the same points. In 1990 a *Provisional Ordinance for Urban State Owned Land Use Right Transfer* (State Council, 1990a) was issued to guide the urban land market. Under this new system, there was no change in land ownership: the

sole urban land owner was still the state and the rural land owner was the collective (village). There was also no change in arrangements for state acquisition of collectively owned rural land for urban construction. Rural farmers were given no rights to sell agricultural land to other users. Only urban authorities had the power to acquire and sell land use rights to developers. The representatives of the state for urban land use right transfer were the city or county governments. The land for transfer in each city or county would be planned and identified by the local Land Administration Bureau, Urban Planning and Construction Management Department and Property and Real Estate Management Bureau. The transfer would be administrated by the local Land Administration Bureau.

The transfer of use right of a piece of land means rental tenure of the land for an agreed period guided by the contract between the land user and the state representatives. Central government established time limits for different categories of land uses:

- Residential use: 70 years
- Industrial use: 50 years
- Educational, scientific, cultural, health and sport uses: 50 years
- Commercial, tourism and recreation uses: 40 years
- Comprehensive (mixed) and other development: 50 years

At the end of this contract period, the land and all its attachments would automatically revert to the state without payment or compensation. However the land user could renew the contract and pay a fee for the extension. The state also reserved the right to take any land before the end of contract but subject to compensation.

Three ways of transfer were proposed:

1) By negotiation;
2) By invited tender;
3) By auction.

Negotiated transfer was only envisaged for general housing construction, industrial development, educational, scientific, cultural, health and sports facility land uses. Other type of land development should be decided through public bidding or auction. The state also reserved the right to waive the required fees for certain categories of users. A user obtaining land through the formal transfer procedures could sell

or rent the use rights to another user during the legal period. Users who acquired land free of charge had no right to resell or rent the use right to another user. The income from urban land release was to be used entirely for urban development. The immediate beneficiaries were the city government and central government. Under regulations in the early 1990s, 40 per cent of land income went to the central finances and 60 per cent went to the city. It was the central government intention that in some of the State Council approved Economic Development Zones, High Technology Zones in the coastal areas and the Special Economic Zones, the bulk of the central government share (80–99 per cent) would be returned to the cities or areas. In other urban areas, these rates would be determined on a case by case basis.

Other beneficiaries of this new system were the existing large public sector land users. There was no need for them to purchase land for housing expansion and this put them in a much better situation than newly established public or private institutions. If they had surplus land, they could make a profit from it. For example Shanghai Jiaotong University, was reported to have let surplus land assets in order to raise funds. With the approval of the State Educational Commission and Shanghai City government, the University formed a partnership with Shanghai Shentong Real Estate Development Company to develop 10 *mu* (0.67 ha) of spare land inside the campus. The new scheme, mainly using overseas investment, was named Shentong Square and consists of a 28-storey building with 56 000 m^2 construction floor space. The new building, started in May 1996 and due to be completed in early 1997, will not be used exclusively by the university itself. It will provide commercial conference rooms and facilities, an exhibition hall, offices, commercial spaces, housing and recreational facilities. This project aimed to raise funds to develop other areas of the university campus (*People's Daily*, 11 January 1996). This kind of practice is the result of the public ownership of urban land and the old land distribution system. Surplus land acquired free in the old system has become an important asset for these public sector concerns rather than the general public or the city as a whole. In many other cities, similar practices exist. Some industrial establishments with large land holdings could offer to stop loss making production and release their land assets to provide salaries for their workers. Suburban village land users always benefit from the release of land and receive large amounts of compensation.

There are several important implications of this land administrative system for urban development and housing provision. Firstly, it

generated additional funds for the state for urban development. In Beijing in 1994 the land price was over 2000 yuan per m^2 and in the central area it could be as high as 33 000 yuan per m^2. Fourteen pieces of land (with an aggregate area of 506 487 m^2 and a proposed 792 069 m^2 of construction floor space) were transferred through negotiation between January 1992 and July 1993 for 827.7 million yuan. Most transfers were through negotiation rather than bidding. In 1994 another 15 pieces of land were sold mainly to joint ventures with foreign companies, with a total land area of 179 587 m^2. The income from these sales was 1327 million yuan – an average price of 7389 yuan per m^2. (Beijing Degao Real Estate Consultant Limited, 1995, pp.111–115) The most expensive land was located around the Forbidden City and along the Changan Avenue. These funds enabled the city government to carry out large scale improvements of housing and urban infrastructure and especially of road systems. In Guangdong Province, during 1987 and 1991, 1004 ha of land were let through the new system. The total income was 3700 million yuan (3.7 million yuan per ha). In 1992 alone about 9907 ha were let with an income of 9500 million yuan (about 1 million yuan per ha). About 45.5 per cent of the income of the Province came from sales of land use rights.

The second significant implication of the land system reform was that specialized developers were able to carry out comprehensive urban development. This would break the tradition of institutional ownership and isolated piecemeal development carried out by each work unit within a community wall. The new approach to urban development allowed the rational provision of support facilities alongside major land uses such as housing, industry and commercial properties. In many cities (for example Shenzhen) only comprehensive development has subsequently been allowed and no approval has been given to development applications from work units. Housing and office requirements would be met by purchasing commercial properties from these specialized developers. This has improved urban planning practice and the general living environment in these cities. However, it has transferred most of the costs to the end users – the purchasers of these properties – whether public sector work units or individual families.

The land system reform is an important factor in the process of commercialization of urban housing and the establishment of an urban property market. Within the old system, most housing was developed and distributed directly by employers and tied up with the employees' work. Comprehensive urban development has concentrated

housing development funds and saved employers time and energy in the management of land acquisition and housing construction. They are able to buy ready made products from the development companies and then distribute them to their employees. For better off families, commercial housing development has provided opportunities to buy a house or a flat and become a home owner. One of the main aims of housing reform was to promote home ownership and to separate housing and work in the public sector. During the last a few years, the proportion of commercial housing bought by individuals has increased.

COMPREHENSIVE URBAN DEVELOPMENT

As discussed in previous chapters there were several attempts in Chinese cities to centralize the management of urban housing. As early as 1957 central government issued a policy calling for unitary management of urban public sector housing by housing authorities at city level. In 1962 a similar policy was issued encouraging local government to take over housing from enterprises, schools administrative and other organizations for unitary management and distribution. In the following year, unitary (or integrated) development and unitary management ('two unitary' *liang tong*) was adopted as the new investment and control system for urban construction. In 1964, experiments were carried out in several cities to transfer institution and enterprise housing to housing authorities. However, none of these policies was made compulsory. By the end of the Cultural Revolution, about 80 per cent of urban housing was owned by various public sector employers, but only about 10 per cent was directly managed by city housing authorities. The next important policy development came in 1978 with a major document on urban development issued by the State Council (1978). This formally required that future urban development should follow the route of 'six unitary' (*liu tong*): unitary planning, unitary investment, unitary design, unitary construction, unitary distribution and unitary management. Since then, integrated development was incorporated into many cities' development plans. In Beijing for example, the approval from the State Council required development in the city to follow the principle of 'integrated planning, development and construction'. Jinsong and Tuanjiehu residential districts were developed around 1980 following these principles. In these schemes, facilities such as gas, water, sewage, electricity, roads and

public utility buildings were built along with schools, shops and post offices. In 1982 the city established an urban development company which acquired land and carried out housing estate development according to the approved urban plan. In Xian the city government organized housing development for distribution to small work units and charged them a development fee.

The switch to this new approach was initially very slow. In the subsequent years many cities and county towns have followed the Beijing practice and set up property development companies. By the end of 1984, there were 661 development companies in 175 cities and 231 county towns and they had completed 30 million m^2 of housing on 50 000 *mu* of land. Another 20 million m^2 were under construction on 40 000 *mu* of land. This style of development was very different from the old practice in which work units managed housing construction within their walls. Despite the success in some areas housing development in most cities in the early 1980s was dominated by work units.

After 1986 large scale integrated urban development emerged and a new term, comprehensive urban development, became widely used. This was a result of changes in the investment system which brought major funds to the city government, but also a result of the opening up of the urban property market. Various developers (most of them in public ownership) acquired land from the city government for property development. At the same time most existing work units had run out of land for further expansion, and new, small enterprises set up by both public and private investment found it difficult to handle the complicated land acquisition and compensation process. Buying or renting properties for offices or housing became simple and straightforward although it was more expensive.

In the view of government officials, particularly urban planners, urban comprehensive development had several advantages over the old decentralized and dispersed urban expansion. Firstly, it enabled urban planners to implement development proposals more effectively. The planners could now focus on large scale projects (either new peripheral development or central area renewal) rather than on small scale piecemeal changes. Secondly, comprehensive development broke down the institutional wall and enabled integration between different urban activities and land uses. Under the old system, many work units tended to maximize workshops or other industrial development and only a small amount of investment went to housing. Comprehensive development ensured the appropriate provision of local services and infrastructure and the coordination between

housing and other functions such as shopping and recreation. It would also save land, rationalize the use of investment, materials and the construction work force and enable the improvement of the general living environment with good design and better quality housing. It was anticipated that urban comprehensive development would facilitate housing privatization and home ownership in urban areas by loosening the links between housing and employment.

By the end of the 1980s, property development had become one of the most important industries in the Chinese urban economy. Most large cities adopted energetic property-led comprehensive development programmes. An incomplete estimate has indicated that between 1987 and 1989, a total of 153 million m^2 of floor space was built by urban development companies. Of this 125.7 million m^2 were housing (an equivalent to 1.84 million of housing units). This was 34 per cent of all housing built during this period in all urban areas. These companies have also built about 20 million m^2 of commercial and other properties (Tang and Xie, 1992, p.17).

DEVELOPMENT IN THE URBAN PRIVATE SECTOR

As well as increasing public sector housing investment, the Chinese Communist Party changed its early attitude toward urban private housing. A series of new policies were introduced to increase urban private housing supply. They included:

- actively tapping private savings into housing investment and encouraging urban families, particularly those employed by small work units or self employed to build or buy houses;
- protecting private home ownership
- promotion of commercialization of urban housing and speeding up housing development in general
- encouraging overseas Chinese investment in private house building.

Between 1976 and 1980 because of political uncertainty and lack of funds only small scale improvements were carried out by existing home owners. However private house building involving overseas Chinese investors spread in the southern coastal areas. As early as 1980, some high standard garden city style housing estates were jointly developed by local government and overseas Chinese businessmen from Hong Kong and Macao. During 1981, about 1.8 million m^2 of

private housing were built. In Guangdong province alone, private house building accounted for about 400 000 m^2 of new housing in urban areas. From 1983 onwards there was a surge in self-build housing by ordinary urban residents. In May 1983 the State Council issued a document *Urban Private House Building Management Methods* which recognized that family house building had become an important source of housing provision. In June of the same year the Ministry of Urban and Rural Construction and Environmental Protection held a special conference in Nanyang city to promoted family self-build housing in urban areas. About 25 million m^2 of housing was built by individual families during 1983. In the following years more and more families built or rebuilt their homes (Table 5.13). As Figures 5.1 and 5.2 show, there was no private house building in urban areas in 1979. Both private investment and housing completion increased from 1980. In 1981 over 11 per cent of new urban housing was built by individual families and by 1988 and 1989 this figure had increased to 29 per cent. In many small county towns, family self-building became the main form of housing provision. Between 1983 and 1990, nearly 7 million urban families improved their living conditions through self-building. This reduced the government's task dramatically. Building costs were

Table 5.13 Self-build housing in cities, towns and industrial and mining areas 1983–93

Year	Number of cities, towns, industrial and mining areas	Households involved in private house building (1000)	Residential floor space completed (million m^2)	Value of housing completed (million yuan)	Average house size (m^2)	Average cost per m^2 (yuan)
1983	3 005	433.7	25.2	1 565	58.1	62.1
1984	4 783	652.6	40.4	2 709	61.8	67.1
1985	5 941	910.4	63.1	4 939	69.3	78.3
1986	7 182	1 005.5	72.3	6 542	71.9	90.4
1987	7 110	1 061.1	82.9	8 996	78.2	108.5
1988	7 845	1 108.6	94.3	14 011	85.1	148.5
1989	8 590	945.2	78.2	12 602	82.8	161.1
1990	8 304	775.0	64.9	11 033	83.8	169.9
1991	8 637	773.1	68.1	12 509	88.1	183.7
1992	9 367	919.1	85.9	18 977	93.4	221.0
1993	10 170	1 052.9	98.1	28 042	93.2	285.8

Source: State Statistical Bureau, 1994a.

relatively low with costs per square metre in the self-build sector 62 yuan in 1983 and about 170 yuan in 1990. These are very much lower than the national average figures for both private and public sectors presented in Table 5.3. Lower labour costs and lower quality building materials are the main factors in this but there are also no costs for public facilities and land acquisition or compensation.

Although this family based construction played an important role in generating housing, there were also other consequences. It proved difficult for urban planners to control the local living environment and to ensure that new houses were safe and of good quality, and would last for a relatively long period. The lack of coordinated design meant that land was not effectively used. Necessary public facilities were not provided and there were difficulties in connecting to services such as water and sewage. In large cities it often only provided short term accommodation which would be demolished when planned large urban projects required the land. In this case very high expenses in compensation and relocation would be incurred. In many large cities, all buildings below three storeys are classified as temporary. Less planning control applies before construction but the local authority has the right to clear them away for roads or public buildings.

These shortcomings of individual activities led the government to develop new approaches toward the end of the 1980s. Individual family house building was still encouraged but mainly in smaller cities or towns with better coordination. At same time new approaches to collective or partnership housing were developed. Liaozhong County in Liaoning Province for example issued a policy to promote and regulate house building in the county town. They encouraged individual investment in housing, but at the same time promoted collective building. Work units were required to coordinate the building programme and collect funds from individual families. The county government provided favourable policies on land and taxation. With this policy, about 88 per cent of investment was from individuals. In large cities collective approaches were tested and applied during the second half of the 1980s. They included public buildings where the major investment came from the public sector, but individuals provided some funds to secure allocation once construction was completed. They also included individual building where the major investment came from individuals but with limited help from the government and employers. The individual was responsible for the development process, the purchase of materials and organizing construction. The contribution from

the government was land provision according to the city plan. Work units or employers provided some materials, cash subsidy, interest free loan or other help.

These kinds of developments were mainly located in small cities, towns and suburban or remote industrial districts. A typical example was the experience in Nanyang City. The city government provided land according to the city plan; individuals applied for house building which had to be approved by the work unit and the city government. After these approval procedures were completed individual families built houses on the land provided. Between 1980 and 1982, 30 per cent of all new housing (more than 100 000 m^2) built in the city was in this category. The contribution from the city government to the cost of these dwellings was only 5 per cent.

A third partnership approach to achieve a more organized approach to individual house building involved co-operatives. The major investment still came from individuals but the development process was coordinated. The government helped to organize the construction process to ensure good design and layout of houses in a scheme. The first formal housing co-operative (*xinxin*) was established in 1986 by Shanghai Municipal's Second Light Industrial Bureau in one of its subsidiary enterprises – Shanghai Toy Export Company. The main idea of the co-operative was to share the costs of housing construction between the government, the work unit and the individual. The city government contributed a starting fund through an interest free loan of 10 million yuan. The land was provided by the Bureau from its own land holdings. Two thirds of the building costs were met by the work unit and the rest by individual members. The cost of building was initially 1000 yuan per m^2 – only about one quarter of the commercial housing price.

There were several advantages of co-operative housing over public housing and individual self-built housing. It drew private investment into housing development and reduced the burden on the state. Secondly, it made privately funded house building possible in large cities and solved many of the problems of individual house building noted above – particularly related to land use and administration. It helped the urban renewal process by coordinating planning and design to avoid poor quality short term construction. Between 1986 and 1990, especially because of shortages of funds and materials, state housing completions declined. Urban housing shortage problems were still very serious. In response to this many local governments tried housing co-operatives to draw in funds from every source for housing

construction. Towards the end of the 1980s, three major different types of housing co-operative emerged (Zuo and Liu, 1994):

- Government organized co-operatives: Tianjin organized projects which provided 550 000 m^2 of housing by drawing on investments from three sources: (a) 25 million yuan from the city government to develop major infrastructure works in the area; (b) 75 million yuan from various enterprises which shared the housing units. These funds was used to meet the costs of land acquisition, ground preparation and provision of water, sewage, power and other facilities; (c) 100 million yuan from private savings to fund the construction of the housing. Of this 50 per cent had to be paid by individuals before the development, the other 50 per cent paid by the enterprises on behalf of the individual. The enterprise subsequently deducted this from the employee's salary.
- Work unit organized co-operatives: Shenyang City encouraged work unit organized co-operative house building. In 1989 the city selected six work units for testing. The arrangement was that the city government reduced or waived construction tax and other infrastructure development charges and gave first priority to the approval of co-operative housing development. Inside the work units, housing development funds were raised from individual savings. Only those employees who had held at least 3000 yuan savings in the co-operatives for over a year, were entitled to rent or purchase co-operative housing once it was completed. This type of co-operative subsequently appeared in many cities across the country. In Baotou city, 36 work units established housing co-operatives between 1986 and 1989 and provided housing for 2500 households. About half of the investments were shared by individuals.
- Urban renewal co-operatives: in central areas, where housing quality was poor and population density very high, housing co-operatives were combined with urban renewal processes to upgrade housing. Such co-operatives were organized by the city or urban district government in Beijing, Shanghai and Chongqing.

In order to promote urban housing co-operatives, the Ministry held a special meeting in Beijing in 1989 to summarize experience from different localities. The meeting, attended by representatives from 17 major cities, generated several important policy proposals relating to government support, strengthening the organization, raising funds,

treatment in taxation, land provision, planning and bank loans. More encouragement was given to local authorities to combine co-operative housing development with urban renewal and central government promised to formalize the management system by introducing new legislation.

With the increased number of urban houses owned by individual families the urban housing market reemerged during the late 1980s. An incomplete survey revealed that in 1988 about 340 cities and counties have established property exchange centres. Statistics provided by 100 such centres revealed that from 1985 to July 1988, 178 000 transactions were handled involving a total floor space of 11.18 million m^2 and a cost of 1650 million yuan. The state income from housing exchanges was 46 million yuan. These figures indicated that the average size of property sold was 62.8 m^2; average sales price was 147.6 yuan per m^2; the average government property transaction tax was 2.8 per cent of the sales price. (Tang and Xie, 1992) There were considerable regional variations in the development of housing exchange in the private sector. Statistics show that housing and property exchange was more active in large coastal cities than in small and inland cities. This reflected the relationship between the development of the housing market and the commercialization of the urban economy. Housing exchange in Beijing for example, was a front runner in the country. During 1988, 1781 properties changed hands in the private sector. The total floor space involved was 327 000 m^2 and the total cash involved was 210 million yuan. State tax income was 4.19 million yuan. These data indicate that the average house sold (183.6 m^2) was about two times bigger than the national average; the price (642.2 yuan per m^2) was four times the national average while the tax rate (2 per cent) was much lower than the average. Underground private exchange to avoid state tax was reported to be widespread. In 1988 central government (Ministry of Construction, and so on) issued two documents to regulate the emerging property exchange market.

CONCLUSION

Following the disruption of earlier years the late 1970s and the 1980s saw an unprecedented housing boom in China. The steps taken by government to modernize the economy gave considerable prominence to housing investment. Improved housing condition was an important element in achieving social and political stability and economic

prosperity. The housing boom was initially lead by the public sector but in the 1980s the problems of dependence on the state sector became apparent. Rent levels had declined to a very low level and were insufficient. Public funds were also required to modernize other aspects of infrastructure and the economy. China was experiencing its own fiscal crisis and coming to terms with the limitations of over dependence on public sector finance. By the end of the 1980s, public sector housing investment began to decline. As Table 5.1 indicated, housing investment as a percentage of total investment increased very rapidly from 1978 to 1985, then began to decline. A comparison of housing output in 1980 and 1988 in Xian city also confirmed this recession. By 1980 over 97 per cent of new housing was built by the public sector. The remainder were built by private builders. In 1988 the public share of new building had declined to 78 per cent. Within the public sector, the city government built fewer houses in 1988 than in 1980 (see Table 5.9). Although the institution and enterprise sectors showed some increase, total new building in 1988 was below the average for previous years.

Three important developments complemented public investment and demonstrated that there were alternative ways of making progress in housing. These involved self-build housing, co-operatives and private or joint venture developments. In each case new land use planning and other arrangement could regulate activity. Especially in relation to private building the state could also generate revenue from the sale of land and from taxes. Taxes on sales transactions in the developing property exchange market were also a source of revenue.

The experience of public and private development suggested the merits of a new mixed economy of housing provision. The state could not provide sufficient housing but it did not need to do so as other bodies would contribute. Housing problems remained serious and the need for investment continued. While people in senior positions or with easy access to housing had moved to new flats or houses with much better facilities and privacy, the living conditions at the lower end of the housing queue had not improved much; people still lived in overcrowded or shared dwellings and many had no permanent homes. The rapid increase in urban population had made the task more difficult. To take Xian as an example, in 1978 1.38 million people lived in the city (excluding people in the rural suburbs), by 1988 the total population had reached 1.88 million. Although total housing floor space had increased from 9.1 million m^2 to 22.4 million m^2, housing floor space per person only increased from 3.44 m^2 to 6.08 m^2

Table 5.14 Housing problems in Xian: A comparison of 1980 and 1988

	1980 (1000)	1988 (1000)	% of increase
Households with housing problems	135.2	118.2	–12.6
No permanent home	14.9	22.1	48.3
Inconvenience (sharing)	17.5	44.1	152.0
Overcrowding	102.8	52.1	–49.3
Under 2 m^2 per person	20.7	11.1	–45.9

Sources: Housing and Property Management Department of Xian, 1982, 1989.

(Housing and Property Management Department of Xian, 1989) and 118 000 families still had recognized housing problems in 1988 (Table 5.14).

In responding to these problems after 1978 important changes in policy and regulation were introduced. The concern to draw in private and overseas investment resulted in an encouragement of individual and co-operative activity. This formed part of a wider economic reform programme in which the close links between housing and employment and the role of work units in housing were not any longer regarded as necessary or desirable. Reforms to land and housing administration enabled sale of the right to use land and encouraged the development of a commercial housing and property industry as part of urban comprehensive development. By the late 1980s a range of changes had been made and these would enable subsequent reforms to develop. At the same time continual concern with urban growth and sprawl and technological changes began to shift the style of new construction from traditional building to the high rise blocks which have become features of city skylines. Alongside these changes low rents and the fragmented ownership of rental housing remained features of the organization of housing and continued to present problems for reform. These and other key issues for reform are discussed in more detail in the next chapter.

6 Urban Housing Reform Since 1980

INTRODUCTION

As discussed in the previous chapters, urban housing in China between 1956 and 1976 was provided within a socialist system. Both the private house building industry and speculative building were effectively eliminated and the private rental sector was systematically brought under the control of the state. The government, through economic planning, directed a large amount of capital to housing development. Under the socialist ideology, public sector housing provision formed part of the socialist welfare system. Housing provision, especially for those employed directly by the state, was a responsibility of the state. Between 1949 and 1978, private home ownership was criticized as a capitalist tendency. Most urban residents relied on the government, or the public institutions which employed them to provide housing. Since the late 1970s, many changes were introduced into this system including the encouragement of private family based housing and of co-operatives and the relaxation of controls over the private rental sector. More recently, commercial housing for sale to individuals or work units was developed. However urban housing in Chinese cities during the 1980s was predominately owned by either public sector work units or the city government. Between 1949 and 1990, 19.8 billion m^2 of housing was built in Chinese cities and towns: 17.3 billion m^2 (87.4 per cent) had been built by the public and collective sectors and only 2.5 billion m^2 had been built by the private sector (individual families). (Tang and Xie, 1992, p.1125) Most of the private housing was built after 1978.

During the 1980s, the problems of this public sector dominated housing system became a major topic of discussion. Among many others, the problems of numerical housing shortage, insufficient investment, unfair distribution, the low rent system and poor management were most commonly identified.

- Shortages: housing shortages existed through all the years of the Communist government. In the 1950s rapid urban population

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increase put great pressure on the new government and led to intervention in the rental market and large scale public investment. Because of major rural to urban migration the expansion of the housing stock never caught up with the population increase. The problem was made worse because the government favoured investment in production rather than consumption. Housing shortages and overcrowding became serious problems. By the end of the Cultural Revolution in 1976 there was an average of about 3 m^2 of floor space per person. In 1994, in spite of the large quantity of housing built since 1978, there were still 4 million urban households living in accommodation with an average personal floor space of 4 m^2 or less. Among them 400 000 households had an average floor space of 2.5 m^2 or less. (Sun, 1994)

- Insufficient investment: in the planned economy, housing investment was provided solely by the state. The amount of investment was decided by the government on the basis of general economic development. There was always a gap between the supply of housing and the amount needed to meet shortages and improve the quality of housing. Government investment was limited by the priority given to other development. The free distribution of public sector housing and the low rent system provided no incentives for private or other forms of housing investment. (Liu, 1991)
- Distribution and corruption: since the assessment of housing need was based mainly on the status of the household head in society, it did not have a direct link with the tenants' income or housing situation and gave the greatest rights in housing to those with highest status. Power and personal status were essential for access to good quality housing. Unequal distribution and corruption in the allocation of housing gave rise to serious complaints from the general public.
- Rents and management: very low rents were identified by many as the main causes of other housing problems, including shortages of housing and investment, the poor quality of new housing and poor management, repairs and maintenance. In most cities the monthly rent of a typical flat cost less than a pack of expensive cigarettes. Each year in the 1980s the state paid 50–60 billion yuan to subsidize housing maintenance.

Faced with these serious problems, the government through the 1980s began to search for new housing policies. Many important changes were introduced and this chapter provides an overview and

assessment of these recent housing reforms. It is important to see the development of commercialization as a response to the problems set out above – as a way of relieving these problems rather than as reflecting an ideological belief in the market.

POLICY EXPERIMENT IN THE 1980s

In April 1980, Deng Xiaoping, the country's paramount leader, made a speech on urban public sector housing to central government leaders:

> ... urban residents should [be allowed to] buy houses, or to build their own houses. Not only new houses could be sold, old ones could be sold too. [The buyers] may buy out-right; [they] may also pay by instalments over a period of 10 to 15 years. [We] must adjust the [public sector] rent according to house building costs, and make people think buying is worth more than renting... . when increasing rent, low income workers should be subsidized.

This statement changed the long standing policy for urban housing to be provided as social welfare, and paved the way for subsequent experiments. The 1980s reform experiments all flowed from these basic principles. The approach adopted was one of a series of policy experiments carried out initially in one or two cities and then extended elsewhere. Subsequent experiments drew on the experiences of earlier ones. The main elements of the reform package that followed were: sale of new houses for building costs (before 1982), subsidized sale (1982–5) and rent reform to promote sales (1986–8). These are discussed in turn below.

The First Housing Reform Experiment

The first housing reform experiment was carried out in 1979 initially in two selected cities: Xian and Nanning. In Xian, 1 million Chinese yuan was allocated to the city by central government along with the necessary building materials, to build houses for sale to local urban families (Housing and Property Management Department of Xian, 1980). For a quick response, the city housing authority, Housing and Property Department, decided to run this experiment by using 38

newly built flats in a 7-storey block. The selling price was based on building costs and the average price per m^2 was set at 150 yuan. The price for the second and the third floor flats was higher than for the sixth and the seventh floor flats. For middle-sized flats with three rooms (about 60 m^2) the average price was approximately 9 000 yuan.

In spite of a good response at the beginning, by May 1980, 18 of the 38 flats had been sold to 15 families. Six of the flats were purchased by three families with support from overseas relatives (each bought two flats); five flats were bought by retired high level government and army officials; three flats were bought by families who were attacked during the Cultural Revolution and had recently received restored salaries; one flat by a school teacher; another by a doctor; and the other two by an ordinary worker and a government employee. All these families were reported as previously living in difficult situations. Eight of the families were in a position to pay the full amount for their 11 flats outright (including the three with overseas relatives). The other seven families had chosen to pay by instalments over five years.

At the national level, central government extended the experiment in 1980 by planning a further 135 000 m^2 of housing for sale. By October of that year, 44 000 m^2 had been sold to 780 families. By 1981 over 60 different cities and towns had carried out similar experimental schemes. In 1981, 366 000 m^2 (about 6000 units) of housing was sold. The state recovered 1.23 million yuan. The average price per m^2 of construction floor space was between 120 and 150 yuan. The cost of a typical housing unit was the equivalent of about ten to 20 years salary at that time. As in Xian, most cities reported a low demand for housing purchase. There were several reasons for this. Firstly, the price per unit was too high. In Xian, most of the families that registered an interest in buying could only offer 3–5 000 yuan in the first payment, and very few could offer over 8 000 yuan. Secondly, the method of payment was too inflexible. The sale in Xian required people to purchase outright or within five years. Most people could not do this and wanted to pay over a longer term. Finally, but most importantly, the rent for public housing was so low as to discourage house purchase among these with houses in that sector. This was particularly so in the case of those with low salaries and little in the way of savings. Because the price was much higher than average income and in view of the low demand, the experiment was formally abandoned in 1982.

The Second Experiment 1982–85

In 1983, the State Economic Reform Commission made a proposal to carry out new pilot tests of commercialization for urban housing in four cities, Zhengzhou, Changzhou, Siping and Shashi. The test offered an opportunity for an individual buyer to pay only one-third of the total price of the house. The other two-thirds were to be subsidized equally by the employer (usually a public enterprise or institution) of the buyer and by the city government. (State Economic Reform Commission, 1983). This experiment was different from the previous one in two respects. Firstly, this test did not require the full payment of the purchase price by individuals. Secondly, the test was not restricted to the sale of newly built housing. Existing public sector tenants could buy the houses they occupied. These two changes were a clear response to the experiences gained from the first experiment. Thirdly, it proposed to change the context by reform of the wages system and rents in publicly owned houses.

The average building cost during this period was between 150 and 200 yuan per m^2 of construction floor space. The building costs for a typical family unit of 56 m^2 was between 8400 and 11 200 yuan. In contrast to the previous tests, the definition of building costs was wider and included the costs of compensation to the original land users and for the development of some public facilities in the area. This increased costs dramatically.

In 1983 alone, 1619 units (83 200 m^2) were sold in the four pilot study cities. The income generated from these sales reached 3.57 million yuan which is about 30 per cent of the original investment. By 1984, the number of units sold reached 2140 (114 500 m^2). Reports from these cities revealed that most purchasers were middle and low income families. About 75 per cent of them had an average personal salary below 30 yuan per month. Among these house buyers 87 per cent were shopfloor workers, school teachers and ordinary government officials. The proportion of young couples among these home buyers was around 30 per cent. (*Almanac of China's Economy 1984*, p.v–161)

In 1985 similar tests were under way in over 160 cities and 300 county towns and 10.9 million m^2 (about 200 000 units) of housing was sold. In Xian city, for example, purchasers were encouraged to pay their one third of the price in one lump sum. Where the family was unable to afford this, an initial payment of 40 per cent was required with the remainder to be paid within three years subject to a charge of

4 per cent interest per year. The individuals were responsible for the payment of property tax once the houses were purchased. However, if the individual chose to pay in one lump sum, s/he was then eligible for five years relief from the property tax. Floor space limits operated in relation to family size. Families with less than three persons were only permitted to buy flats with less than 45 m^2 of floor space; for families with more than three persons, an extra 10–15 m^2 was allowed for each additional person. If a family opted to buy a flat that was larger than they qualified for, they were required to pay the full cost of the additional floor space without the benefit of subsidy. Once the flats were sold, the property belonged to the individual. A property 'user right' certificate would be issued upon completion of the transition. The property could change hands indefinitely through inheritance or family division. However individuals had no right to sell or rent the property on the open market and if they no longer needed the house, it must be returned to the original seller – a public body. A proportion of the original price would then be paid to the household.

This policy drew many complaints from local government and employers because of its high cost. The subsidy cost the public sector employers too much, and they considered it unfairly distributed. The only obvious beneficiaries were the home buyers. For each house sold, the government lost 5000–6000 yuan. In spite of the heavy subsidies, the financial arrangement was not very attractive to sitting tenants. The policy was not designed to facilitate capital gains through individual housing investment and the payment of a large sum of money for a house which others could rent with a very low rent was not so attractive without the prospect of capital gain. This sales experiment ended in 1985. The policy makers concluded that a more comprehensive approach, which at least should address the financial balance between buying and renting was required. The draft of the seventh Five Year Plan called for the formulation of 'a set of well-considered methods as soon as possible to gradually commercialize housing' (CCP Central Committee, 1985).

The Third Experiment 1986–88

Following the Communist Party's instruction, a central government Housing Reform Steering Group was set up by the State Council in February 1986. At city level similar organizations – the Housing Reform Offices – were set up. These new organizations were to co-ordinate and direct housing reform at the national and local levels.

The central Housing Reform Steering Group proposed a comprehensive reform strategy with two major aspects:

- adjust (raise) rents in the public sector and introduce housing subsidy for all public sector employees;
- promote sales of public sector housing (old and new).

This strategy was approved by the State Council in 1987 with the approval of a major experiment in Yantai city in Shandong province.

The objectives of the Yantai reform plan were to gradually commercialize the entire process of housing production, distribution and consumption. The major method was to increase rent in the public sector to the level which could cover the standard cost (see below); at the same time and for the first time to issue special housing subsidy tickets (coupons) which had equal value to Chinese currency but could only be used for housing consumption. This measure was to compensate for the loss caused by the increase of rent under the low salary system. Housing subsidy was to be gradually phased out and salaries increased sufficiently to meet family housing costs. The long term goal of the plan was to establish a housing market in which the state and other employers will have no direct distribution functions in housing. The new rent would cover five elements: building costs (2 per cent discount for each year of the life of the building), repair and maintenance costs (an average of 2.1 yuan/per m^2/a year), investment interest (an annual rate of 3 per cent), management costs and property tax. After a complicated calculation, an average standard monthly rent of 1.17 yuan per m^2 in the central built-up area was proposed. This involved an increase in rent of 30 times. At the same time 23.5 per cent of the tenant's total salary would be issued in the form of housing coupons. (Table 6.1)

The subsidy level was based on the principle that the total rent increase in the city should equal the total housing subsidy so that the reform would not incur extra costs for the government. The reform was designed neither to increase households' housing costs within their limited salaries nor to increase state housing investment substantially. It aimed to change the processes of housing production and distribution. Through the reform housing distribution would be changed from material distribution to monetary distribution. It was anticipated that after the reform, people would only acquire housing of a size which they could afford. People occupying bigger houses in the old system would pay more rent. During the transition period, families

Table 6.1 Yantai city housing reform proposals

Households of public sector tenants	68 085
Persons entitled for housing coupons (in employment)	139 745
Public sector housing area occupied (m^2)	2 345 430
Before reform	
Average housing areas per working person (m^2)	16.78
Average monthly wages (yuan)	78.99
Average personal monthly rent per property (yuan)	1.09
Original total monthly rent (yuan)	152 322
After reform	
Average monthly rent per m^2	1.17
Total monthly rent	2 744 153
Total monthly salaries	11 038 063

Source: Yantai City Government, 1987.

suffering too heavy a loss because of this reform were to be compensated up to a certain limit. Eventually, these families would be encouraged to change their house for a small, affordable one. For families whose new rent was less than the subsidy, the surplus coupons would go to a special housing fund managed by a bank. The savings could only be used by the family for purchasing a house in the future. By doing this the direct housing link between employers and their employees would be broken. State companies, enterprises and institutions would concentrate their full energies on their production and other business. Housing provision would become a service which could be effectively dealt with by specialized housing authorities and other social organizations.

Along with rent changes the Yantai housing reform plan encouraged public sector workers to buy the houses they occupied. Standard sale prices were proposed. Tenants were required to pay a minimum 30 per cent of the price at the outset with the remaining part to be paid through instalments over a period of ten to 15 years. Special discounts were proposed to encourage higher initial payments. At the same time a new housing finance system was introduced to ensure that the income generated from rents and sales was used for house building. The policymakers also anticipated major changes in the tenure pattern in the city with a mixture of private, institutional or enterprise and city government ownership in each housing estate or even within a single building. The plan proposed to establish independent

neighbourhood housing service companies to manage repairs, public facilities and other services in each area. The costs of the services would be shared by the property owners, whether they were public or private.

The implementation of these proposals was reported to be very successful. It changed some traditional housing behaviour. Many people with no previous intention of buying a house considered buying. About 3000 households living in larger publicly owned houses in the city decided to exchange for smaller apartments in line with their affordability. In addition around 1500 households gave up the houses which were rented to them, but which they had not been occupying. Because of the rent increases the housing authority had more money for repairs, maintenance and management. (Tang and Xie, 1992, p.1131). The Yantai plan was the most comprehensive approach yet adopted and received a lot of attention. Most of its elements were later incorporated into central government policies.

THE NATIONAL HOUSING REFORM PLAN 1988

At the beginning of 1988, central government held the first national housing reform conference in Beijing attended by leaders from local government housing reform offices. The conference discussed the Yantai plan and set up national housing reform principles and objectives. It agreed that the early pilot tests of housing reform had provided useful experience and that housing reform could bring about great economic and social benefits. The major resolutions of the conference was summarized in a document, *Implementation Plan for a Gradual Housing System Reform in Cities and Towns*. This was issued formally by the State Council in February 1988 (State Council, 1988; World Bank, 1992). This marked the turning point of housing reform from pilot tests and experiments in selected cities to overall implementation in all urban areas and was the most important policy document on housing reform.

The overall objective of the national housing reform Implementation Plan was to 'realise housing commercialization according to the principles of socialist planned market economy'. A detailed explanation was given by Mr. Gao Shangchuan, Deputy-Director of the State Commission for the Structural Reform:

> Firstly, we have to change the low-rent system for those publicly owned houses and reasonably adjust the rents. Those who live in

> publicly-owned houses will receive coupons for subsidies, which will gradually convert the housing material distribution into a monetary one and finally into commodity exchange. Secondly, we encourage people to purchase houses or build houses by themselves, diverting the people's purchasing power to improve their housing conditions. With concerted efforts by the state, the enterprises and the people, we will be able to quicken our steps to solve the shortages of housing. Thirdly, we have to set up the funds for housing and carry out reforms to the planning, financing, taxation, pricing and housing management systems accordingly. Furthermore, we should establish a system of a healthy circle [revolving] of housing funds, stimulating the development of real estate, housing construction and real estate financial industries. (Gao, 1988)

Among these reforms the most striking is the one which aims to establish a circulation of housing funds. The reinvestment of housing receipts was a key element in achieving housing production goals. These new policies widened the area of consideration and housing reform became part of a wider economic system reform. Housing policy was linked to reforms in the salary and distribution systems, the finance and tax systems and the development planning system.

The reform methods and procedures were similar to those in the Yantai experiment:

- Adjust public sector rent to over 1 yuan per m^2 per month (the average national rent needed to cover all costs but not generate a profit was believed to be 1.56 yuan).
- Issue housing coupons to offset the rent increase. The amount of the coupon distributed should be kept below 25 per cent of salary.
- Rationalize and concentrate housing funds for new building and for housing coupons.
- Sell public sector housing through a new scheme with four clear elements: (a) New housing distribution should follow the principle of sale first and rent second; the small proportion for renting should give priority to low income families. (b) Sale price for new housing should be the standard price which includes building costs and land compensation costs. No other subsidy should be given. (c) The price for existing housing should not be less than 120 yuan per m^2. (d) The individual should pay more than 30 per cent of the price at the outset and the remainder should be paid over 10–20 years.

The Plan proposed an ambitious implementation timetable to bring all cities and towns into the reform programme within three years:

- First year: reform in 80 major cities including all provincial capital cities;
- Second year: reform in another 150–200 cities and 5 000 to 6 000 towns;
- Third year: all other cities and towns except those in the remote and border areas.

In the same month, a second document, *Resolutions on Encouraging Employees to Buy Existing Public Sector Housing*, was issued (General Office of the State Council, 1988). This provided some basic guidelines for local government and work units to make their detailed plans.

In the face of rising inflation in late 1988, central government introduced a programme of economic retrenchment and economic problems in late 1988 were followed by political unrest in Beijing's Tiananmem Square and several other large cities in 1989. These events slowed down the housing and economic reform programme in the subsequent years. Although many cities produced local housing reform plans following the national guidelines, not many had put them into practice before 1990. Small scale pilot projects continued. Specific reform methods and procedures varied from city to city. A document summarizing the reform experience between 1988 and 1990 revealed many local policy variations. In relation to rent, for example, about 25 cities or counties followed the Yantai model in which the total rent increase was balanced by total housing coupons issued. In another 44 cities and counties, at the other extreme, rent reform followed a different route. Small scale step by step rent increases were not accompanied by the issuing of housing coupons. In between these two approaches, many cities have opted for rent increases greater than offset by housing coupons. Furthermore other cities adopted different rent policies not involving the concept of housing coupons at all. Examples included replacing rent by a payment of interest on capital used for house building and collecting large sums as deposits, using the interest on these to subsidize rent. This could be seen as changing the basis of calculating rent to one based on historic costs and servicing debt associated with building, and, at the same time, changing the form of payment to include a deposit. In sales, various kinds of discounts have been applied. Many cities granted discounts related to the

years of service of employees. In Beijing, one year's service carried entitlement to a discount of 0.5 per cent of sale price for a period up to 40 years. In Ruxian County in Henan Province, 1 per cent per year discount was given to people who started working for the Communist Party before 1949 and 0.5 per cent for people who started after 1949. The upper limit of discount was 50 per cent of sale price. Taiyuan, the capital city for Shanxi Province, decided to discount 50 yuan for every year of service, up to a limit of 50 per cent of sale price. Wenzhou in Zhejiang Province required that discount should not be more than 40 per cent of the standard sale price, and the price after discount for existing houses should not be less than 120 yuan per m^2 (State Council, 1990*b*)

THE URBAN HOUSING REFORM RESOLUTION 1991

By 1991, both the economic and political situation had stabilized. In May the largest industrial city, Shanghai, put forward its comprehensive housing reform programme. This programme came out at an important time and put housing reform onto the government's agenda again. The Shanghai programme proposed a reform method which had five aspects:

- Establishing a compulsory housing savings (provident fund or *gongdijing*) system. In order to increase each household's housing purchasing power, the plan required both employers and employees (excluding those in temporary employment and people working in Chinese-Overseas corporations) each to put a sum equivalent to 5 per cent of the employee's salary into a special personal housing account for future housing need. The rate of 5 per cent in 1991 was to be adjusted in subsequent years. This saving belonged to the employee but could only be used for family housing purposes. Each household could use all its members' housing savings for housing purchase, self-building, rebuilding or major repairs. The savings and associated interest could be inherited or withdrawn by the account holder when s/he retires or leaves Shanghai for other places. Housing savings were to be excluded from income tax.
- Increasing rent and issuing housing coupons: the 1991 standard rent in the city was to be increased by 100 per cent and about 2 per cent of salary as would be paid in housing coupons.

- The requirement for new public sector tenants to pay a large deposit: new tenants must 'lend' a deposit as *zhufangjuan* to the Shanghai Housing Savings Management Centre (SHSMC) for housing development. For each square metre of floor space rented, the tenant was required to deposit 20–80 yuan (1991) to the SHSMC as a compulsory low interest investment. It will be paid back to the tenant in five years with interest added at the rate of 3.6 per cent.
- Providing discounts for house purchase: to encourage private home ownership, households willing to buy would have priority over those seeking to rent in a similar situation. The 1991 sale price (about 250 yuan per m^2) for new housing was one third of the total building costs. Purchasers who elected to pay the full sale price would be entitled to a discount of 20 per cent. Others would have the choice of paying the price over a period of between ten and 15 years. The house could be inherited or resold. If the owner resold the house, s/he will only receive one third of the sale price. The other two thirds would go to the previous landlord.
- Establishing local housing committees: the city government established a Shanghai Housing Committee to carry out housing reform. This Committee would make proposals for further reforms; organize and carry out works in the housing plan including construction and management; raise and control the spending of various housing funds; and make policies in relation to housing distribution and management (Shanghai City Government, 1991).

The Shanghai plan represented the most comprehensive proposal to date and had a major influence on the reform process in other parts of the country. Its financial aspects, particularly the compulsory housing savings system, were important as they provided a way of creating the healthy circle of housing funds to sustain investment. Many cities sent delegations to Shanghai to study their reform process. During October 1991, the second national housing reform conference was held in Beijing. The conference resolution, *On Comprehensive Reform of the Urban Housing System* compiled by the State Council's Housing Reform Steering Group, was issued in November, 1991 (General Office of the State Council, 1991). This document updated the 1988 resolution, and required all urban authorities to carry out housing reform. Although there were no major changes in the overall objectives of housing reform, this resolution proposed specific aims for several stages of the reform over a longer period:

1) The aims for the Eighth Five Year Plan period (1991–5), were to change the low rent and free distribution system and restructure rents to enable basic housing reproduction (for example costs of building, repair and management); to solve overcrowding problems (families with less than 4 m^2 of living floor space per person); and to eliminate dangerous housing. The average floor space per person would reach 7.5 m^2 by the end of the period; and the proportion of appropriately designed unit housing (non-dormitory) was to reach 40–50 per cent of all building. Each city government, work unit and individual was required to plan sustainable housing investment.
2) By the year 2000, rents in the public sector were planned to increase to levels which covered basic construction and maintenance costs plus investment interest and property tax. The average floor space per person should reach 8 m^2 at the end of the period and the proportion of self-contained unit housing would reach 60–70 per cent. During this period, the commercial property development market and finance system were also to be established.
3) In the long term, beyond 2000, the aim was to rationalize rents to the market level taking into account the costs of building, repair, management, investment interest, property tax, land use fees, insurance and profit; to provide every family with a reasonable standard apartment; and to replace state housing provision through commercialization and socialization (General Office of the State Council, 1991).

This resolution recognized that changes in the housing system would take a long time to achieve and not the three or five years envisaged in 1988. It set basic principles and guidelines on common issues at the national level, and encouraged each local government to produce reform plans (methods, procedures and timetables) to suit their local social and economic conditions.

After this conference, large scale housing reforms were carried out in many cities, particularly in the area of sales of existing public sector housing to the sitting tenants. For example, Jin Xian, a county in Liaoning Province, sold 96 per cent of existing public sector housing within three months. The average sale price was about 100 yuan per m^2. In Beijing, 140 000 units of public sector housing were sold between 1990 and 1993 generating an income of 1700 million yuan (see Table 6.2).

Table 6.2 House sales in Beijing 1990–3

Number of houses sold	
1990–3	140 000
1993	90 000
Square metres sold	
1990–3	8 400 000
1993	5 400 000
Income generated 1990–3: yuan	1 700 000 000
Average size of houses: m^2	60
Average price of houses: yuan	12 143
Average price for each m^2: yuan	202.4

Source: People's Daily, 12 December 1993, p.2.

Although there were many reasons for the high uptake of sales, the social and economic changes brought about by the economic reform were most important. Economic reforms had brought salary increases for many urban families. During the 1980s, most families spent their savings on consumables including electronic goods such as televisions or refrigerators. By the end of the 1980s, such consumer goods could be found in most urban homes. It was no longer unthinkable to buy a home with a state subsidy, particularly among high income families. In addition new rent policies had taken away some of the advantages of renting and sitting tenants became interested in buying the homes they occupied. In the 1980s, people in the housing queue desperately requiring accommodation bought public sector housing in order to obtain housing. In the 1990s, the benefits of subsidized sales accrued to sitting tenants, including government officials who had acquired good quality houses through the old distribution system and would benefit most from the new policies. Finally and perhaps more importantly, political instability, particularly associated with the events in China around 1989 and the changes in Eastern Europe made public sector tenants opt for home ownership as a way of securing a stable future.

In spite of the progress made in sales of public sector housing, the emerging situation was far from that intended by the reform plans. The overwhelming majority of people remained in public sector housing and in housing tied to their employment. Individuals had bought or were buying, not through a housing market but from their public sector employer and there was little development of a market

organizing exchanges between individuals. Employers continued to seek to charge similar to their employees irrespective of what housing they lived in. When employers had bought 'commercial' housing at the market value they let it to their employees at a much lower standard rent. For the work units or local government, there was little possibility of selling housing at a high price. To have general support from their employees, they had to set the price low enough for the individuals to see the benefit of buying. This also benefited the decisionmakers in each work unit. This was not the situation desired by central government and it undermined the idea of circulation of housing capital with receipts from sales funding the next round of investment in housing. Central government documents set the minimum range of prices for local government and work units and several special documents were issued warning local organizations against setting low housing prices. The concern about low price sales of public housing eventually led government to suspend the process of approving housing reform programmes at the end of 1993 and forms the backdrop to the subsequent national policy.

THE NEW APPROACH OF 1994

At the beginning of 1993, the State Council's Housing Reform Steering Group drafted a major document on urban housing reform. At the end of the year the third national housing reform conference was held in Beijing to discuss reform strategies. The resolution of this conference *The Decision on Deepening the Urban Housing Reform*, was formally published in July 1994 along with several detailed explanatory documents (Housing Reform Steering Group of the State Council, 1994). These were the most important and comprehensive policy documents on housing reform yet produced, and they set the overall strategy based on all previous experiments and local practice. The new strategy changed three major aspects of the old housing system (*sangai*) and added four new elements to it (*sijian*) as follows:

1) to change the housing investment system;
2) to change the housing management system;
3) to change the housing distribution system;
4) to establish a dual housing provision system with a social housing supply (policy oriented) to provide economic and comfortable

housing to middle and low income households and a commercial housing supply for high income families;
5) to establish a public and private housing saving system;
6) to establish housing insurance, finance and loan systems which enable both policy oriented and commercial developments;
7) to establish a healthy, standardized and regulated market system of property exchange, repair and management.

1) A New Housing Investment System

Before 1978, there was only one source of housing investment in Chinese cities – the state. The work units did not have the power to invest in housing. Although most housing built during that period was organized by the work units, housing investment was provided through central and local economic planning. This system was changed in 1978 when the government encouraged work units and individuals to invest in housing development. At that time, the emphasis was still on the work units which gained more financial and management power from the economic reform. Towards the end of the 1980s, more and more of the benefits of economic development were channelled to individuals. The financial power of public sector institutions and enterprises had been reduced, and some were in financial crisis. The emphasis shifted from the employers to the individuals. At the same time, the balance of financial power between central and local government favoured the local. The new housing investment system required the state, local government, work unit and the individual each to bear a reasonable share of housing costs. This included the use of receipts from sales and the circulation of housing funds. The state contribution was still necessary to achieve a balance between different regions in the country. The key to the new investment system was that urban citizens would meet a major part of their housing costs.

2) Socialized Housing Provision and Management

Housing provision and management by the employer characterized the old system and its advantages included the provision of housing near work, good neighbourhood relations and social stability. Its disadvantages were many. As early as the 1960s, the government had made several unsuccessful attempts to transfer housing from work units to city housing departments for unitary management. In the early 1980s, with the encouragement of work units' investment in

housing, the share of the housing stock in cities owned by the work units actually increased. This, however, had a direct and negative effect on the efficiency and performance of the work units and contradicted the economic reform. The new reform encouraged private home ownership, which was impossible during the 1960s and 1970s. The new strategy was to transfer housing management and provision not to local governments but to specialized non-government bodies and various property development and management companies in the market. By taking away the housing responsibility of the government and the employers, the reformers aimed to improve the efficiency of industry and government services.

3) Material Distribution and Monetary Distribution

Linked to the previous points, housing distribution under the old system was characterized by free allocation – involving payment in kind rather than through the wages system. Between 1949 and the late 1970s, housing provision has been treated as part of the social wage. Public housing ownership and free distribution were regarded as distinctive advantages of the socialist system over capitalism. Housing investment was made solely by the state through local housing authorities and publicly owned work units. Theoretically speaking, housing distribution in the economic system became secondary rather than primary: the salary for each employee did not include sums to meet the cost of housing and the state used the money deducted at source from incomes to finance new house building and then distributed the housing free to individuals. By keeping salaries low, the government centralized housing costs for redistribution. In practice, the state did not always use the right proportion of income for housing. With the emphasis on production housing funds were used for purposes other than housing. This low level of investment was accompanied by a rapid increase in the urban population which resulted in a serious housing shortage problem. Since the government could not provide every family with a home, housing queues developed. This sustained a serious housing shortage and contributed to unfairness in distribution and official corruption. At the same time very low rents were charged. For people who were lucky enough or senior enough to occupy a decent apartment, housing was a very important material subsidy. People still in the housing queue or in the private sector experienced either difficult housing conditions or financial loss because they received no material subsidy. Despite these problems, the general public

only complained about corruption and unfairness. Not many questioned the welfare nature of public sector housing. Changing from material distribution to monetary distribution meant that the salary system had to be reformed to enable cash payments for housing provision through the market.

New policies were introduced in 1994 to stop the sale of existing public sector housing until a more appropriate price level could be determined. Three different price mechanisms were proposed. Firstly, market prices should be applied to high income families – those who could afford to purchase a two bedroom apartment from the market at five or six times annual family income. Secondly, the prices for low and middle income families should cover the costs of land acquisition and compensation, pre-construction costs (survey, design), construction, neighbourhood public facilities, management, interest on loans and tax. This would be a price below the market level but would involve full cost recovery for new dwellings. Thirdly, a standard price taking into consideration both costs and affordability, was proposed as a transitional mechanism where the basic cost price was unaffordable to families. This was the first time affordability and family financial circumstances had been included in formulating sale prices. The standard price would include two elements: (a) affordable price for a new 56 m^2 standard apartment – three years combined salary of a couple; plus (b) 80 per cent of family housing savings including the contribution from employers over a period of 35 years for a male and 30 years for a female. The central policymakers set an illustrative standard price for 1994 at 567 yuan per m^2 of floor space. The standard sale price for a 56 m^2 flat would be 31 852 yuan which was much higher than the national average of properties price sold under the reform programme in 1993 (130 yuan per m^2). The price was about 10 times national average salary in 1993 (3236 yuan) (Liu, 1994). This increased price and the complex calculation methods would slow down the sale process but ensure higher levels of receipts more compatible with reinvestment objectives.

4) Social Housing Alongside Commercial Housing

Two theoretical slogans – 'Chinese style socialist planned commodity economic system' and 'the primary stage of socialism', had tried to redefine the nature of housing. At one extreme, it was claimed that housing was not a social good, but a commodity. As such, its construction, distribution and management should follow market processes.

The state and other employers should reward their employees fully through salaries with nothing held back to meet housing costs. Individuals should adjust their housing according to what they could afford. In the middle ground, it was claimed that housing was both part of a welfare service and a commodity. As such, housing should be provided both through the market and the state. The government had not given its view on these claims and seemed unlikely to do so in the near future. The reform process was, as Deng Xiaoping said, 'to cross the river by feeling the stones' with your feet. If the process proves successful, it is fine; if not try another way. On this basis whether the approach was a socialist or a capitalist one did not matter and in the primary stage of socialism, both socialist and capitalist development approaches were valid.

Early housing reform emphasized housing privatization. Although the policy of sale of public housing made little progress in most cities, much of the urban housing authorities' development powers were transferred to commercial housing companies in either public or collective ownership. Private companies, for example those involving overseas enterprises, raised capital, invested it in house building, and then sold their products directly to individuals and government organizations. This policy initiative represented an even more radical break with the past. The companies were explicitly set up as enterprises to accumulate capital (Kwok, 1988). They were financially independent, but their profits were shared, through negotiation, with the city government. In Xian about 70 such companies existed in the middle of the 1980s. The City Construction and Comprehensive Development Company of Xian, for example, was established in 1979. In 1987 it employed 170 persons. The unsubsidized sale price of its new housing was between 400 yuan and 600 yuan per m^2 according to the distance from the city centre. This range was two to four times greater than the national average building cost. The average price for a middle-sized flat of 60 m^2 was around 30 000 yuan, which was far too expensive for most ordinary citizens in 1987.

In 1994, commercial housing prices were very high. In a typical Beijing suburban housing estate, the average price per m^2 was between 3000 and 6000 yuan. In specially designed estates it could be as high as US$3000 per m^2, which is much more than the price for a whole subsidized flat in the early 1980s. In many cities large quantities of commercial housing were built. However general incomes were still very low and few people could afford this full market price. Although

the overcrowding problem was far from solved, high standard commercial housing units were in surplus in many major cities. At the end of 1995, there were 3.25 million urban families in various kinds of housing difficulties; there were also 33.4 million dwellings which required modernization. On the other hand, because of the high sale price (national average of 1710 yuan per m^2), there were an accumulated 50.31 million m^2 of unsold commercial property in cities and 77 per cent of this was housing. Apart from some high standard cottages and apartments 36.3 million m^2 was ordinary housing (Lu, 1996).

5) Compulsory Savings for Housing

Compulsory savings schemes had been initiated in Yantai and formalized in Shanghai before becoming national policy. These schemes required all urban residents in employment to save part (5 per cent in 1994) of their salary through the work unit as long term housing savings. The employer (whether public or private) must contribute a similar proportion to the employee's account each month. The savings will be held by a bank on behalf of each account holder (the employee) and managed through the employer collectively. The bank is only able to lend the money for housing development. The account holder could withdraw the money from the bank during his/her employment for approved housing spending including house purchase and payment for major repairs. The evaluation and approval is made by the employer. The money could also be withdrawn when the account holder retired. The purpose of this policy was to accumulate housing development funds and gradually increase households' purchasing power by limiting spending on other consumer goods. By allowing account holders to use the money after retirement, the government anticipated that this saving would subsidize pensions when housing becomes less of a problem. As a result rising incomes could be channelled into the housing sector and inflationary pressures would be avoided. Once Shanghai City had introduced compulsory housing savings (accumulation housing fund), 104 major cities (53 per cent out of 194) had followed by the end of 1993 and 119 cities had established housing fund management centres (61 per cent). By August 1993, Shanghai had accumulated 1800 million yuan housing savings, enough to build 2 million m^2 of housing. (*People's Daily*, overseas edition, 16 December 1993, p.2)

6) Housing Finance and Insurance

These strategies aim to establish a new housing finance and insurance system independent of the state and in addition to compulsory savings. Major housing investment would come from borrowing through the market and the banks would play an active role in accumulating funds for housing construction. Housing insurance would provide protection to developers and home buyers where there were mortgages. The government also aimed to increase rents gradually in the public sector. By the year 2000 rents should cover the costs of building, repair, management, interest on loans and property tax and would total about 15 per cent of a couple's salary. Local authorities should make plans and timetables for rent increases and new tenants should pay higher rents than sitting tenants as well as a deposit. Since Yantai and Benpu two cities carried out the experiment of housing saving banks and the Construction Bank and the Industrial and Commercial Bank have established housing credit departments to provide mortgage services to individual house buyers. By the end of 1992 there were 4000 housing credit departments in the country. The Construction Bank has issued mortgages to 198000 home buyers and borrowing from the Industrial and Commercial Bank for mortgages had reached 390 million yuan. (*People's Daily*, overseas edition, 16 December 1993, p.2)

7) Development of the Housing Market

The strategy adopted assumed that once the material distribution of housing was replaced by monetary distribution and public housing was privatized, a housing market would gradually establish itself and enable housing exchange, maintenance and repair to be dealt with by individual owners and private firms.

The national housing reform programme in the middle of the 1990s had emerged from various reform experiments which had been tested in recent years. It also included some aspects which were ignored or overlooked during previous reforms, such as the provision of social housing and the restricted role and price for public sector housing sales. The new strategy aimed to establish a new housing system in which both the rich and the poor would have access to housing, rather than a narrow privatization. Each of the elements had already been in operation in some localities and the government emphasized the

	Pre-Reform	Reform Direction
Nature of housing	A welfare service	A consumable commodity
Distribution	Secondary Material Free	Primary Monetary Through market
Ownership and Tenure	Public dominated Public rental	Private Owner occupier
Rent	Subsidised minimum rent	Market rent
Source of investment	State	State, local government, work units and individual

Figure 6.1 The direction of Chinese housing reform

comprehensiveness of these strategies. It was hoped that all cities would produce a housing reform plan embracing all the seven elements. The longer term direction of Chinese housing reform is summarized in Figure 6.1. The reform involves gradual change over a long period (30–40 years) and current 'transitional' arrangements may remain for a considerable time. Where sales remain a key element within circulation and changing ownership the emphasis has shifted to other elements – compulsory savings to maintain investment and measures to develop a housing market.

The national housing reform policy for 1995 published by the State Economic Reform Commission reasserted the principles of reform but still left room for local variation. The key elements related to:

- *The housing savings system*: all work units (enterprises and institutions) and individuals would contribute with the slogan 'Private deposit, work unit subsidize, unitary management, only for housing use'.
- *Rent reform*: to speed up rent reform and rent increase and create conditions for the separation of housing construction, management, repair functions from normal production activities; to test in some large state enterprises the idea of changing housing subsidies into formal salaries; to commercialize enterprise housing.
- *Reform of housing maintenance and management*: to set up housing service systems independent from government and to introduce commercial housing maintenance and repair.

- *Sale of public sector housing*: this involved a careful, step by step approach with no low price sales, and no extra discount.
- *Affordable Housing (or anju projects)*: speed up economic but comfortable 'social' housing development and increase housing supply, particularly of affordable housing for middle and low income households, and those cities carrying out anju projects experiments should speed up housing reform and explore new ways of promoting new construction. (*People's Daily*, 12 January, 1995, p.2)

After 15 years of experiments, urban housing reform in China is still marked by a pragmatic approach. Although central policy has become more comprehensive, there is no established legislation on housing reform. The document issued in 1994 was not legislation, but a State Council regulation. Although it addressed important aspects of housing which had been under discussion for a long time, it only provided a general framework for reform. There were no detailed practice plans and the day to day operation of housing reform was decided by each local authority. Reform practice does vary from place to place (Chiu, 1994; Chiu 1996b).

THE ORGANIZATION OF URBAN HOUSING REFORM

Initially the responsibility for housing reform rested with the Ministry of Construction. In order to coordinate urban housing reform, the State Council set up a Housing Reform Leading Group in 1986. Because of the complexity of housing construction, distribution and management, this organization had representatives from no less than 25 state departments in 1995. Fewer central departments had been interested in housing reform before 1991, but since then all ministries became very active because housing issues linked to almost every aspect of government. The Leading Group adopted a periodic meeting system and set up a permanent body, the State Council Housing Reform Office to deal with the day to day running and operation of reform. In 1995 the Office had four departments:

- Strategic Planning (Policy development)
- Supervision (for local plan approval)
- Funds Management (reform related housing funds management policy)
- General Office

Since 1992 the daily work of the State Council Housing Reform Office was supervized by the State Economic System Reform Commission, a key functional body above ordinary ministry level. The Office employed ten permanent staff in 1995. Housing reform plans drawn-up by provinces and 35 large- and middle-sized cities had to be approved by the State Council. Shanghai's 1991 Plan was formally approved by the State Council itself. Since then local housing reform plans have been approved by the State Council Housing Reform Leading Group and the State Council Housing Reform Office. Approval of local plans used to be a long process and after the issue of the 1994 document, approval of local plans became much easier (Figure 6.2).

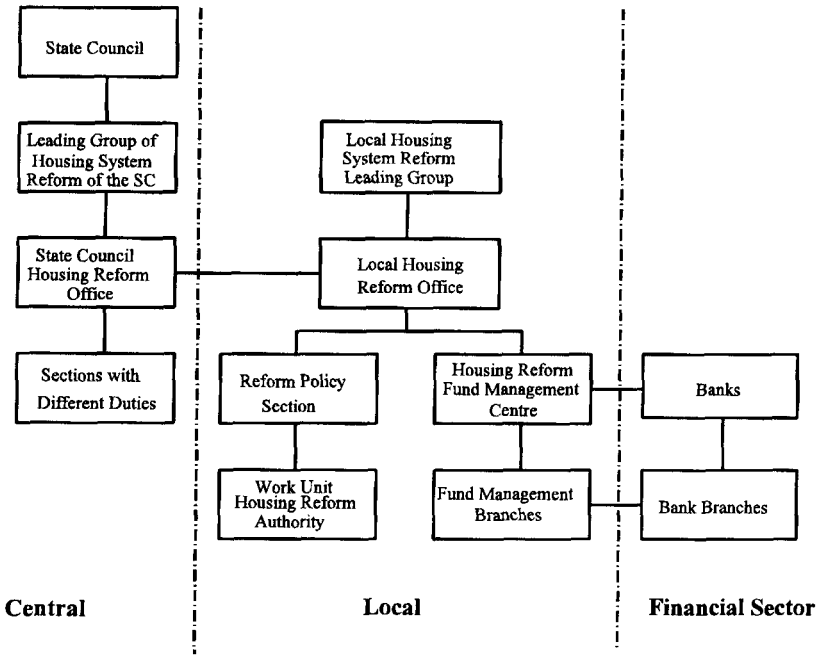

Figure 6.2 Housing reform: organizational structure

The 1988 central housing system reform plan required each local government at province, city and county levels to establish a Housing System Reform Committee (HSRC) to coordinate housing reform. The committee should include representatives from the leadership of local government which was in charge of housing reform, directors

from relevant government departments, locally stationed armed forces and the unions. The functions of the HSRC included:

1) being responsible for making housing reform plans for the area and monitoring the implementation; carrying out research and bringing forward new proposals, strategies and policies for further reform;
2) participating in decision making concerning house building plans, housing construction and management;
3) making decisions and policies about raising housing funds during the reform;
4) determining the investment, direction and distribution of housing funds;
5) determining and issuing policies on: (a) the rate of compulsory housing savings; (b) the compulsory amount of housing bond for renting public sector housing; (c) the amount of deposit for renting; and (d) the minimum and standard sale price of public sector housing;
6) producing policies on housing distribution and management and monitoring practice;
7) directing housing reform in the work units in the administrative area.

In Beijing a Housing Reform Leading (Steering) Group was set up in 1988 with representatives from over 20 different functional departments of the city government. They included, economic reform commissions, construction commissions, labour and employment departments, the people's bank, social security, finance and taxation agencies. The representatives were usually the directors of these organizations. Similar to the State Council arrangement, a Housing Reform Office was formally established in March 1988 in Beijing. The directors of the Housing Reform Office were drawn from key housing related organizations which made up the Housing System Reform Steering Group. General staff were also borrowed by these directors from their organizations. Most staff in Beijing's Housing Reform Office came either from the Housing Management Bureau or were new graduates. In the parent organizations, housing reform responsibilities were assigned to particular offices or persons to coordinate with the Housing Reform Office at the Municipal level. The temporary arrangement of personnel proved problematic and by the early

1990s, the Housing Reform Office became more permanent. Some seconded staff had returned to their work units while those remaining became permanent. In the country as a whole, most Housing Reform Offices have gone through this stage, from temporary to permanent and have been associated with or been a subordinate organization of urban construction authorities. This particularly applied to the housing management bureaux in Tianjin and Shanghai. In a few other cities, Housing Reform Offices developed into independent bodies at commission or bureau level. In Beijing since 1991 the Municipal Housing System Reform Office has been a separate body which ranked equally to the newly merged Land and Housing Management Bureau. In Shenzhen, the Housing Reform Office developed into an independent organization (the Municipal Housing Bureau) in charge of housing reform, building, distribution, marketing, management, maintenance and fund raising.

The internal structure of housing reform offices shared some similarities across the country. Beijing Municipal Housing System Reform Office, for example, had three main functional departments and two related centres in 1995

- Planning and Promotion Department: revision and improvement of the reform plan, promotional publicity, research;
- Coordination Department: supervision of implementation of reform plans in work units and different economic and government sectors, organization of experiments and summary of experience; housing funds managements;
- General Office;
- Housing Funds Management Centre;
- Urban Construction Research Centre.

The Housing Funds Management Centre has about 20 staff and was set up as a response to the 1992 Reform Plan proposal to introduce compulsory housing savings (provident funds). The responsibility of the Centre was:

- to collect, manage, use and refund the provident funds;
- to make policies related to the funds;
- to supervize and manage the Centre's branch offices in the city.

There were over 70 branch offices of the HFMC in the city. Each of these branches was independently accountable and functioned according to the policies produced by the Centre. The Centre has its own

funds to enable it to balance the operation of these branch offices. The Centre had 4 functional departments:

1) Branch Office Management
2) Fund Management (Finance)
3) Policy Supervision
4) General Office

The Urban Construction Research Centre was set up to carry out research projects and to promote good practice. The Research Centre also had a number of commercial firms or companies ranging from Planning and Design, Property Development (development of Kangju), Estate Management and Property Valuation.

CONCLUSION

The urban housing system in China has undergone important changes during the 1980s and the early 1990s. The reform programme has changed the general public's perception of state housing provision and introduced many new elements in housing provision such as rent increases, sales of public sector housing, compulsory housing savings and commercial housing development and distribution. It has diversified housing provision and investment and enabled a major expansion of the urban housing market. The state is no longer the sole provider of housing funds. The work units, either as public bodies or as private enterprises, are contributing more and more in housing construction and provision. Some private savings have also been drawn into the development of housing. With the opening of the commercial property development market, even some overseas investment has been attracted to housing development, particularly in the central areas of large cities. More and more better designed housing units have been added to the existing housing stock in each city. Many families' living conditions have been improved. The average living standard has increased dramatically. In the early 1980s, in most cities the average floor space per capita was only about 3 m^2; by 1995 it had increased to over 7.9 m^2. Many urban families have moved into new housing or improved accommodation.

A critical issue is whether these achievements are a result of general economic growth or a result of housing reform. Housing reform could mean very different things to different people. For the low income

younger generation of working class people, reform means a diminished hope of free housing in the future. In many ordinary people's eyes, the government has simply tried to get rid of the burdens of housing provision. For the more senior government officials and professionals reform means increased housing costs in the short term but the expectation of subsequent returns on their investment. For the higher income business class, the reforms offer them a privileged comfortable living. For property developers, reform has brought a golden opportunity to expand their business. With low wages ordinary people still find it formidable to buy homes with prices (in Beijing) as high as 10 000 yuan (US$1200) per m^2. Nationwide more than 36 million m^2 of commercial housing were reported to be lying vacant in 1995.

The new strategies recognized the social divisions in Chinese cities and involved different policies for different groups of people according to income levels. 'Economic and comfortable' social housing was built at reduced costs through favourable land allocation policies for sale and rent to low and middle income households. Higher standard commercial housing was developed by property developers for high income families. This new strategy was designed to generate more affordable housing. Local governments were given the power to encourage affordable housing development by free allocation of land and favourable treatment of planning, design and tax. From 1993, legislation required that all property development companies must include at least 20 per cent of affordable housing for rent or sale to low or middle income families in their annual development plans. Central government has also supported each city in planning a few special low cost housing estates under a new slogan of peaceful living projects (anju gongcheng). These schemes are discussed more fully in the next Chapter. However, relying on private developers for the construction of social housing is questionable and the division between low, middle and high income groups may cause problems. Apart from a few recognizably rich people (businessmen, families with overseas connections, very high posts in party and government offices and specially skilled professionals for example actors and writers), the vast majority of people have middle and low incomes and require government subsidy. The government had never provided good quality housing to the real urban poor (unemployed mainly), and the effect of the new policy on these groups or on illegal rural or urban migrants is problematic. Many of the economic housing developments are for sale (consistent with fund circulation), but restrictions or penalties on resale mean that this is a form of quasi-ownership likely to inhibit

mobility and exchange. This does not involve any reduction in mobility compared with the old system and is not regarded as a problem because the primary aim is to increase investment and improve housing conditions.

Housing reforms have solved some problems but at the same time have created new problems. The encouraging signs which have emerged from the Chinese housing reform experience are that policymakers have realized that housing system reform will be a slow process over a relatively long period. It will involve major social and economic changes. Four important features of the Chinese policy making process have been identified. Firstly, reforming the housing sector is inextricably bound up with other reforms, especially the wages system and the social wage. As a result the complexity of reform is immense and the process has to be cautious. Secondly, housing policymaking has followed a pragmatic approach rather than been ideologically driven as during the pre-reform period. Thirdly, although personal influence was still important, the use of experiments was a major component of policymaking. Almost all major central policies were tested in various localities before being formally adopted, and the resulting policies have a pragmatic mix of elements which affect rents, savings and the continuing role of state companies operating in an increasingly commercial environment. Finally, local variations were allowed and encouraged. This is very important for a country of such size and complexity in both social and physical terms.

Unlike many Eastern European countries, the Chinese reform programme has been carried out within the Communist framework. The government and academics continue to justify each reform policy on the basis of socialist principles. For economic reform, the guiding view is that China is at a primary stage of socialism. At this stage, the economic system would be a socialist planned commodity economy (Chinese style). This is a mixed market economy with some macroeconomic planning and regulation. This has replaced the old communist slogan of a socialist, planned, public ownership dominated economy. This change was the basis for the open door policies which have paved the way for international cooperation, joint ventures, and private businesses. With this ideology, the Chinese Communists could take the capitalist road for economic development, and keep the party in power. This change has had a profound effect on social and economic organizations and employment patterns, and has begun to have significant effects on people's traditional way of life, particularly in terms of housing.

7 Urban Housing Development in the 1990s

The preceding two chapters have show how the housing boom of the late 1970s and the early 1980s increased the urban housing stock dramatically but failed to solve housing shortage problems. New house building was not sufficient to meet the expanded demand from the ever increasing urban population. At the beginning of the 1990s, the Ministry of Construction estimated that the urban population (non-agricultural) would reach 260 million by the end of 1995 and 320 million by the year 2000. In order to respond to this the Ministry proposed a ten year Development Plan for housing which also included the Eighth Five Year Plan period (1991–5). The strategies proposed were to speed up housing development; promote housing commercialization; continue housing and land use reform; promote comprehensive urban development; improve the housing and real estate market; and strengthen housing estate management and maintenance services after privatization.

The overall objectives of these strategies were to improve urban housing conditions, to ensure the achievement of the housing target set by the Party and to develop the housing and real estate industry into an important sector providing housing but also creating wealth and capital for the state. The plan was (a) to increase average living floor space per person from 7.1 to 7.5 m^2 between 1991 and 1995; (b) to increase properly built family housing units to about 50 per cent; (c) to complete urban renewal projects and eliminate dangerous housing. To achieve these targets, 750 million m^2 of new housing was to be built between 1991 and 1995. This required a cash investment over the whole period of 225 billion yuan. Apart from state investment, the government anticipated that investment by collectives and individuals would increase. In 1990 about 6 per cent of housing funds came from the collective sector and 16 per cent from individuals. To achieve the Communist Party target of 8 m^2 of housing per person and 70 per cent of family unit housing by the year of 2000, another 900 million m^2 of housing must be built during the Nineth Five Year Plan period (1996–2000). This would require an estimated investment of 270 billion yuan. Central government was prepared to provide 15 per cent of all investment.

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In emphasizing the average floor space per person, the government aimed to solve overcrowding problems and to provide better housing for all of those with less than 4 m^2 of living floor space per person by 1995 and less than 6 m^2 by 2000. The Ministry planned to speed up urban comprehensive development. By 1995, 50 per cent of new urban housing and 35 per cent of other properties should be built by commercial developers and by the year 2000, the respective rates should be above 60 per cent and 50 per cent. The Ministry also aimed to produce two major pieces of national legislation: a Housing and Real Estate Act and a Housing Act.

This chapter aims to examine the policy during the early 1990s and to evaluate the achievement against these planned targets. It includes a review of legislative developments, commercial housing development, new housing design experiments, real estate management, urban renewal and upgrading of older housing, targeting overcrowded families, and of affordable housing projects which hold the key to the future of Chinese housing provision.

LEGISLATIVE DEVELOPMENT

Urban Housing and Real Estate Management Act 1995

The Ministry of Construction started to draft a Housing and Real Estate Management Act in 1988. It was not finalized for several years because of the political uncertainties around 1989. In 1992 a new Act

Table 7.1 Housing planning and development in urban areas

Year	Planned targets		Achievement	
	Investment in million yuan	Floor space in million m^2	Investment in million yuan	Floor space in million m^2
1986–90		650		773
1991	45 000	150	52 300	142
1992	45 000	150	75 100	178
1993	45 000	150	162 800	213
1994	45 000	150	230 900	240
1995	45 000	150	–	–
1991–95(4)	225 000	750	521 100	773

Sources: Ministry of Construction, 1993 and Li (Vice Minister), 1995.

drafting group was formed to continue the work and in August 1993 a draft was submitted to the State Council. The Council's Legislation Bureau consulted with other state organizations and provincial and city housing authorities and formally named it 'People's Republic of China Urban Housing and Real Estate Management Act'. This revised draft was approved by the State Council Standing Committee on March 29 1994 and by the National People's Congress on 5 July 1994. On the same day, the State President, Jiang Zeming signed the issuing formality form and the Act came into force on 1 January 1995. Although there had previously been numerous government circulars, ordinances, regulations and leaders' speeches, this was the first housing and real estate management legislation ever produced in China (Ministry of Construction, 1995).

Because of the great differences between urban and rural areas, the Act had limited geographical scope. It only applied to the urban planning control areas of officially defined cities and towns. The exact boundaries of planning control areas in each city are determined by the city government. The Act did not apply to other areas, for example the rural villages.

The Act regulated four major activities of housing and real estate development in these geographical areas:

- Acquisition of land use rights for housing and other real estate development;
- Engaging in housing and other real estate development;
- Marketing and other ways of exchange (including renting, mortgaging and other transfers) of housing and real estate;
- Carrying out management of housing and real estate.

Housing and Real Estate was defined as *buildings and other structures* and Housing and Real Estate Development included *acquiring urban land and constructing urban infrastructure and buildings*.

The overall principles set out in the first chapter of the Act included policies on housing provision and protection of property rights. For example, under Article 3 the state imposed charges and time limits for using urban land except land allocated by the state for special purposes. Under Article 4, according to the stage of social and economic development the State would support housing development for urban residents, and gradually improve housing conditions. Under Article 5, property and land users would pay tax to the state according to laws and regulations. The State protects

the legal rights of individual property and land users and prohibits breaches of these rights by public and private organizations and other individuals. Under Article 6, the State Council's construction organization (the Ministry of Construction) and land management organization (the State Land Bureau) are the central authorities in housing and real estate management. The organization and responsibilities of local housing and real estate management should be determined by province, autonomous region or centrally administrated city.

The specific contents of this new legislation are indicated by the chapter structure of the Act itself:

Chapter 1: Overall Principles
Chapter 2: Land for Property Development
  Sale of land use rights (Articles 7 to 21)
  Administrative allocation of land use rights (Articles 22 to 23)
Chapter 3: Property Development (Articles 24 to 30)
Chapter 4: Property Exchanges
  General rules (Articles 31 to 35)
  Property transfers (selling, giving away as gift and so on.) (Articles 36 to 44)
  Mortgages and property (Articles 46 to 51)
  Property renting (Articles 52 to 55)
  Property agent's services (Articles 56 to 58)
Chapter 5: Property User Rights and Ownership Registration Management (Articles 59 to 62)
Chapter 6: Legislative Penalties (Articles 63 to 70)
Chapter 7: Supplementary articles (Articles 71 to 72). (Ministry of Construction, 1995)

As with many other Chinese Acts, this legislation only set out basic principles and it was left to the central housing authority to produce further details. The Ministry of Construction drafted related regulations including:

- Regulations on Property Development Management
- Regulations on Property Exchange
- Regulations on Advance Sales of Commercial Housing
- Regulations on Property Valuation (*People's Daily*, overseas Edition, 26 December, 1994, p.3)

Local government was encouraged to development local regulations according to the principles of central legislation and to specific local conditions. To regulate housing and property development, Shanghai City Government issued a 66 item Shanghai Property Mortgage Regulation, which took effect from the beginning of 1995. The City government made a series of other regulations related to land use rights, property and housing exchanges, property valuations, property registration and management of rented property (*People's Daily*, overseas edition, 29 December 1994. p.2)

COMMERCIAL HOUSING DEVELOPMENT

One of the major elements of comprehensive urban development has been commercial housing. Commercial housing investment played a very important role in the large increase in urban housing. As Table 7.2 shows commercial housing increased from 27 per cent of total urban housing investment in 1991 to nearly 56 per cent in 1994. Because of its high standards and extra costs in land and materials, commercial housing had higher costs than non-commercial housing. Consequently in 1994 only 37 per cent of urban housing was developed by the commercial sector. Not all new commercial housing was sold directly to individuals. Most were bought by work units which could not afford to build housing for their employees. In Shanghai, for example, 85 per cent of commercial housing was sold to work units in 1990, while in 1993 75 per cent was sold to work units (Shanghai Land System Reform Office and Shanghai Statistics Bureau, 1994, p.66).

The arrangements for commercial housing are best illustrated through an example. Enji Garden[1] is a high class commercial housing district in the western suburbs of Beijing. Its construction was designed and supported by the Italian government. The Chinese partner was the Beijing Property Development and Management Ltd, a company owned by the Beijing Municipal government. Development of the estate began in 1986 and the first resident moved in during July 1993. Some construction materials including internal and external doors and windows were imported from Italy. The high density estate contains 10 buildings which provide 400 high quality apartments. The finished estate has an iron fence surrounding it and the only entrance gate is guarded. The land used for this estate was originally designated as a park for a larger residential estate – Enjizhang which contains

Table 7.2 Housing investment and completions in China 1991–4

	1991	1992	1993	1994
Total housing investment (million yuan)	52 323	75 077	162 889	230 852
Housing as % of total capital investment	9.4	9.6	13.8	14.4
Housing floor space completed (million m^2)	142.3	177.9	212.7	240.0
Average building cost per m^2 (yuan)	367.8	422.0	765.8	961.9
Of which, commercial housing				
investment (million yuan)	14 220	22 456	89 030	128 929
as % of total housing investment	27.2	29.9	54.7	55.8
floor space completed (million m^2)	36.4	49.8	80.3	89.6
as % of all floor space completed	25.6	28.0	37.8	37.3
average building cost per m^2 (yuan)	390.7	450.9	1108.7	1438.9
Of which, non-commercial housing				
investment (million yuan)	38 103	52 621	73 859	101 923
as % of total housing investment	72.8	70.1	45.3	44.2
floor space completed (million m^2)	116.7	128.1	132.4	150.4
as % of all floor space completed	74.4	72.0	62.2	62.7
average building cost per m^2 (yuan)	326.5	410.8	557.8	677.8

Source: Data was provided by the Real Estate Management Department of the Ministry of Construction, 1995.

three smaller estates. The density is a result of this change of land use plan. Inside the estate, there is a swimming pool, recreation centre, restaurant, shopping centre, bank, post office, hair dressing shop, and a rentable office building. There is no school or kindergarten on this estate and children attend schools on neighbouring estates developed by the same company.

All apartments were sold to either individuals or public sector employers. The price was set by the Developers 'according to the demand from the market', not based on construction costs. It is believed the price per square metre of construction floor space was well over 10 000 yuan. A flat of 100 m^2 would cost over 1 million yuan. The sale was conducted through an 'open' market process in which the highest offer got the apartment. The only requirement of the potential buyers was that they must be registered Beijing residents although some special arrangements were made for persons from overseas. The sale price was not subsidized in any way and the purchasers were required to buy outright. No mortgage arrangements were provided. Arrangements were made before construction for potential buyers to pay a deposit and a reduction in price was given to those who paid a large deposit.

In September 1994, 230 units were occupied. Most residents came from government departments and other public organizations. Among the current residents, about half are private home owners, known as the Big Money (Dakuan). The other apartments were bought by public sector employers and then allocated to their employees. Most households living in the estate were privileged persons such as retired government ministers, famous actors or actresses and overseas business people from Hong Kong, Australia, Malaysia and elsewhere. Unlike many other housing estates in Beijing or other Chinese cities, expensive private cars were parked in front of the buildings. This is a high status, special community created by the economic reforms. There is no data on the extent of this kind of estate in the city. Some informal information indicated that there were about 130 major property development companies in Beijing. Each were involved in several development projects, some of them involving ordinary standard housing, some of them were high quality residential estates. There were about 50 to 60 housing estates of the Enji Garden standard.

High prices and low salaries have kept most public sector employees away from this newly emerging commercial urban housing market. In 1990, the national average price of commercial housing was 703 yuan per m^2. By 1993, it had increased to 1282 yuan. In 1994,

although prices fell slightly in the inland cities, they increased dramatically in the large coastal cities of Beijing, Shanghai, Guanzhou, Shenzhen and Dalian. In these cities, ordinary properties without special designs and features ranged in price from 7000 to 8000 yuan per m^2. In some favourable locations, the price was as high as 10 000 yuan per m^2. (Beijing Degao Real Estate Consultant Limited, 1995, p.10) These high prices have caused problems. Not only are they beyond the reach of families on average incomes but most public sector employers have found it difficult to purchase them.

During 1995, several reports were published in major papers to demonstrate government's concern over the imbalance between housing supply and demand in cities. A survey of real estate development in China in 1995 revealed that real estate development investment increased rapidly in the early 1990s but the sale of properties was at a low level. The survey identified several major problems in the construction industry and the commercial housing sector. It referred to: too large a total investment; too long a development cycle; too low completion and sale rates; and too much vacant new housing. By June 1995, there were over 43 million m^2 of unsold new commercial housing. These unsold properties tied up about 68.7 billion yuan. (*Sing Tao Daily*, quoted from *China News Digest*, 12 December 1995).

In 1995 in order to free this capital Construction Minister Hou Jie proposed changing the use of the some unsold property, controlling new real estate development, improving new housing areas by building new schools and shopping areas, and encouraging renting. (*China News Digest* 26 March 1995). To promote commercial property sales, several exchange fairs were organised between 1994 and 1995.

About half of real estate development investment was concentrated in Shanghai, Beijing and Guangdong. Real estate development in the central and western regions did not take off in the same way (*People's Daily*, overseas edition, 27 December 1995 p.2) In 1992, there were over 3200 registered property development companies in the country. In each city, there were at least one or two key companies set up by the city government to carry out important commercial housing projects. Many of these companies started in the coastal large cities or the Special Economic Zones and developed into large firms carrying out development in other cities. In 1994, the Ministry of Construction and State Statistical Bureau published a list of the top 100 property companies in China. Table 7.3 shows that 95 per cent of these companies were in the eastern coastal cities including Guangzhou, Shenzhen, Beijing and Shanghai. Apart from a few from Sichuan

Table 7.3 The regional distribution of the 100 largest property development companies in China in 1994

Cities or provinces where the company's headquarters located	No of companies in the Top 100	No. of companies in the Top 20
Guangdong (Exclude Shenzhen)	16	5
Shenzhen City	13	4
Beijing	13	5
Shandong	9	0
Liaoning	8	1
Shanghai	5	2
Hainan	5	0
Sichuan	5	0
Tianjin	1	1
Others	22	2
Total	100	20

Source: People's Daily, overseas edition, 17 June 1994, p.8.

Province, no companies were from inland cities. The government survey indicated that in June 1995, there were 33 482 real estate development companies in China. Of them 65 per cent were located in the eastern/coastal region, 22 per cent in the central region and 13 per cent in the western region. The state owned 41.9 per cent of these companies; the collective sector controlled 25.4 per cent, while 32.7 per cent were controlled by other sectors, including private and joint ventures between Chinese and overseas sources. Among the overseas investment, Hong Kong was most important.

Even where there was a surplus of commercial housing on the market, housing shortage was a major problem. In 1994, in over 60 cities the average floor space person was less than 6 m^2. There were 4 million urban households living in overcrowded accommodation (less than 4 m^2 per person) in the whole country. Some 30 million m^2 poor quality housing required improvement or demolition. This situation led the government to introduce new initiatives. From 1993, the government started to control the development of garden cottages, holiday villages, high standard apartment buildings and hotels and encouraged the development of ordinary urban housing. Housing development departments were established in the urban construction management authorities to promote ordinary housing. At the same time some development companies were designated for housing

construction only and qualified for favourable treatments (including free or low price land allocation; tax relief; guaranteed bank credits; and ensured material provision) if they became involved in general housing construction. (*People's Daily*, overseas edition, 2 June 1994 p.2)

Real estate development has become a major industrial sector in the Chinese economy. During 1994, among the 163 billion yuan income made by real estate development, 65 per cent came from sales of commercial housing. The 1995 survey showed that the individual purchase of commercial housing was increasing and had reached to the level of one third of the total sales of commercial housing (*People's Daily*, overseas edition, 27 December 1995, p.2).

NEW HOUSING DESIGN EXPERIMENTS

In spite of the high price of commercial housing, the general quality of some of the new housing built was poor. During the 1980s, accidents occurring because of poor construction quality were reported from time to time. In 1986 the government randomly examined some housing projects in urban areas and only 25.4 per cent were reported as of satisfactory in quality. In 1991, the satisfactory rate was 67.5 per cent. In 1994 another major construction quality examination was carried out by the Ministry of Construction and the Union of China Construction Material Industries. Throughout the country, 636 projects (267 million m^2 of floor space) were examined, of which 462 projects were randomly selected while the other 174 were recommended by local governments or developers. The findings are presented in Table 7.4. Most of the projects surveyed were located in

Table 7.4 House building quality in cities in 1994

	No. of schemes examined	Satisfactory		Good	
		No. schemes	%	No. of schemes	%
Total	636	550	86.5	138	21.7
Selected projects	462	378	81.8	30	6.5
Recommended projects	174	172	98.9	108	62.1

Source: People's Daily, overseas edition, 30 August 1994, p.2.

major cities and the quality in small towns was expected to be even poorer. (Li, 1995)

In order to improve the quality and quantity of new housing, the government promoted the building modern housing estates or 'Garden Housing Estates' for mixed income families. These estates were encouraged to adopt new design standards and use new materials, equipment and facilities. They were to become the show pieces for future housing development in the country. The housing design experiment began in 1986 when the Ministry of Construction selected three sites in Tianjin, Jinan and Wuxi cities. These estates, completed in 1989, have provided important examples of estate and individual building design, engineering and construction quality, environmental and related services and infrastructure provision. In August 1989, the First National Conference on Housing Estate Design and Construction was held in one of these new schemes at Yanzishan in Jinan. At this Conference, the Ministry decided to carry out further experiments. By 1994, there were 52 experimental housing estates in 45 cities. The main objectives were to gain experience in the key stages of housing development and management, including estate planning and design, architectural design of housing and other public buildings, the organization of construction and engineering, the use of new materials and technologies, energy saving or using solar energy and estate management (Wang, 1994). By mid 1994, 15 of them had been completed.[2]

The government aimed to use these schemes to raise awareness of good quality design and building. In the past, the government aimed to maximize housing floor space with limited investment and the co-ordination of external environment and urban landscape were ignored. The housing itself was often laid out like a military camp and estates with rows and rows of similar housing can be found in most cities. The planning of the new estates related not only to buildings, but also external environment (for example green areas, trees, parks, passages) and spatial coordination with neighbouring areas. It also gave careful consideration to the provision of nurseries, kindergartens, public transport, shopping, bicycle parking, garbage collection and recreation (not car parking). In these estates housing was usually grouped in several areas each with its own identities and internal passages, central places and facilities. Some of these areas followed the traditional courtyard design, but variations were applied to the external appearance. New housing no longer had the dull box

shapes and there were different approaches to elevations, roof, materials, colours and balconies. New design has also moved away from using flat land only and has tried to make use of the local landscape. Enjili Residential Estate[3] in Beijing is one of the best examples. The land use design of the estate and the development process are presented in Figure 7.1 and Table 7.5.

There were important changes in the spatial design of housing units and the provision of basic facilities. In these new schemes, all housing was of properly built family units with no sharing of facilities. These new designs have rationalized the use of space and provide more functional areas. Older housing placed attention only on bedrooms to increase the overall density through sharing. Limited space was provided for other uses. New designs adopted a principle of 'bigger sitting room, kitchen and toilet or bathroom and smaller bedrooms' (*sanda and yixiao*). Special considerations were given to the interior design to improve the routing of pipes, wires and other facilities.

The emphasis on building and environmental quality reflected a major policy shift by central government away from quantity of housing and building by the public sector to solve housing shortage problems and towards improving the quality of new urban housing and design and construction standards. During the 1990s, more and more commercial housing came into the market. The main concern together with quality control in the building industry was how to balance demand and supply and to keep the price of commercial housing down. Research consultants for the central government tried to justify the new emphasis by reviewing housing development in advanced economies after the World War II. They believed that housing provision in those societies had gone through three stages:

- Quantity demand stage: war damage and population increase required large scale new construction to solve the housing shortage problem.
- Quantity and quality demand stage: when housing shortage became less of a problem, more attention had been given to the quality of houses provided, for example space and internal facilities.
- Quality demand stage: housing stock and the number of households balanced each other and more emphasis was put on the quality of housing and the living environment.

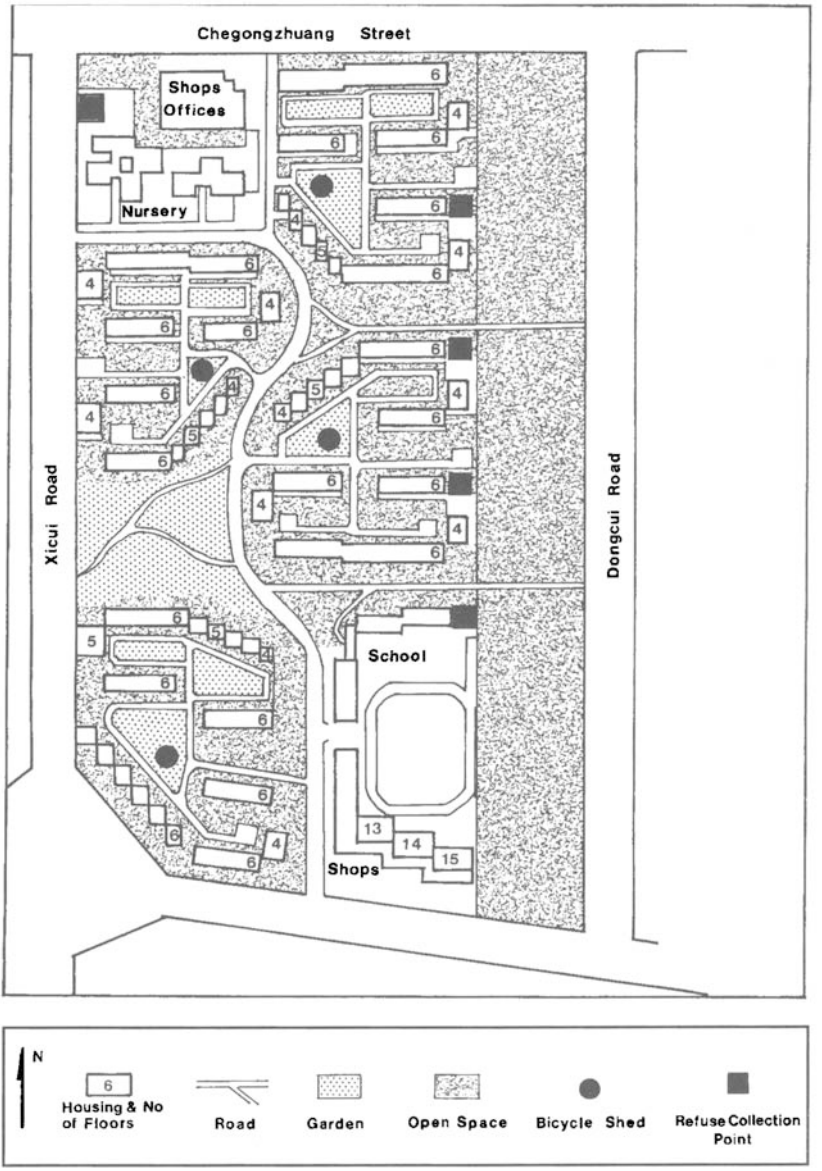

Figure 7.1 Land use in Enjili Estate

They suggested that after 17 years of large scale house building programmes and with the continuing restriction of rural to urban migration, urban housing policy in China had entered the second stage.

REAL ESTATE MANAGEMENT

In 1995, about 24 per cent of housing was located in purpose-built estates. They accommodated about one quarter of the urban population. Housing estates have become the most important land use in urban areas and dominate large parts of the urban landscape. However, a survey in Beijing in 1994 revealed that only 10 per cent of these estates were well managed (Jing, 1995). When commercial housing estates emerged during the early 1980s, real estate management was ignored. Because most of the commercial housing was new, maintenance and repair requirements were not seen as an immediate problem. Once completed the new housing estates and related public facilities were handed over to the urban districts for management. These government departments were responsible for functions such as population registration, public security and rubbish collection, and had no experience in housing maintenance and repairs or neighbourhood environmental management. One such early commercial estate in Guangzhou was visited during 1995; evidence of neglect such as poor external maintenance and broken drainage pipes, was apparent.

During the 1990s, real estate management became a major policy issue and one of the primary interest areas of development companies. In Enji Garden housing estate in Beijing referred to previously, the developer had established a Management Centre. The Centre reports to the Property Management Company which is a branch of the developer – Beijing Property Development Ltd. The Management Centre has three full time staff who have gone through special training courses in estate management. The services provided by the Management Centre were of two types:

- chargeable services such as housekeeping
- free services including repair works required as a result of building faults.

The Managers were empowered to contract out some services including security and cleaning to other specialized firms. There was no residents' committee to supervise or monitor the Management Centre.

Table 7.5 The development process of Enjili Residential Estate

Development stages	Major development activities
Set up project	• Project application by the developer • The approval from: Beijing City Planning Commission Construction Commission
Land acquisition and original resident relocation (July 1988)	• Land use application by the developer, approval from the City Land Bureau and the Urban District Land Bureau • Issue land use permission and approval of land use plan • Beijing City Planning Bureau to approve location and boundary • Arrangement for changing the original rural registered residents to urban residents, and provide employment for some of them • Compensation to original properties and other related materials • clean the land and relocation of original users • final accounts for ending land acquisition stage
Planning and design	• Planning Bureau to approve land use plan for the estate • District authority to approve the public facility provision on the estate • Fire control and civil air defence authorities check relevant facility design • Planning Bureau to issue construction permission

Table 7.5 (continued)

Development stages	Major development activities
Infrastructure and civil engineering	This stage involves several local government bureaux to check original design or to provide infrastructure: • Electricity Bureau • Environment Bureau • Water, Gas, Heating companies • City Civil Engineering Bureau (sewage system) • City Tele-communication Bureau (post, telephone, television aerials and so on) • City Gardens and Parks Bureau
Public bidding for construction	• Bidding to select construction companies • Sign construction contracts • City Construction Commission issues construction permission
Construction management (December 1990)	Plans and blueprints to contractor, monitor progress, quality control, and finally check and accept
Accounting and marketing (December 1993)	• costs and investment accounting, report marketing price, marketing contract with property agency
Estate management	• set up estate management centre, residents move in

Source: Display materials at the estate management office.

Nor was there a direct relationship between the estate Management Centre and the formal local government organization – the street committee. There were contacts with outside bodies for public security, water, electricity and refuse collection.

By the mid 1990s, some properly established estate management system was normal on new housing estates. Lian Hua Bai[4] residential estate in Shenzhen Special Economic Zone was seen as the best example in the country. This estate was planned and constructed between 1992 and 1994 and occupied a land area of 0.48 km^2. It consists of 75 buildings of seven storeys and 10 high-rise tower blocks. By September 1995 most multi-storey buildings were occupied with 3760 households and a total population of over 10 000 people. Apart from 54 rented units, all apartments were sold either at subsidized or commercial prices. Most residents were young couples with a child. The estate was managed by an Owners Association (a body elected by the residents of the estate) and a contracted Estate Management Centre run by a commercial property management company under the principle of 'owners self management'. Theoretically speaking the Centre was responsible to the Association. At the same time it was controlled from the headquarters of the company. The Centre has comprehensive management responsibilities for the housing stock, public facilities, gardening and planting, sanitation, environment, security, traffic control and repair and maintenance. The Owners Association had produced Estate Management Regulations to guide the daily work of the Centre. The Centre itself had six specialized sections and employed a total of 145 persons. Although 2 per cent of total construction costs was retained from the developer by the district government for major future repairs and maintenance, this money had not been given to the Estate Management Centre. The income of the Centre came from charges for service and rents from commercial properties on the estate. The rent income from these properties was divided between the Centre and the Municipal Housing Bureau. Most of the income received by the centre was used for materials and employees' wages including one full time secretary for the Property Owners Association. The central office was open 24 hours every day to handle emergencies. The Owners Association had 11 members who monitored the functioning of the Estate Management Centre including audit of accounts. Although it had only been established shortly before, this organization was involved in important decisionmaking affecting the estate, and regulating the commercially motivated Estate Management Centre. They also voiced residents'

opinions on development in the immediate surrounding areas including, for example, objections to the building of a new car park near the school.

Most estates were managed by independent commercial companies without inputs by the residents themselves. However, owners self management similar to the above example was approved by the central housing authority. In 1994, the Ministry of Construction, produced a central regulation, *Urban New Residential Estate Management Methods*, which promoted supervised commercial and specialized estate management. It specified the organizational frameworks and responsibilities of the property owners association and the estate management companies and the relationship between estate management bodies and the formal local government system.

URBAN RENEWAL AND THE UPGRADING OF OLDER HOUSING

The new commercial buildings in central areas and large housing estates in peripheral areas of Chinese cities contrasted with the poor quality of older housing, particularly that built before and immediately after 1949. Through the 1980s, most large cities were involved in continuous renewal. However, in 1994 there were still 33 million m^2 of housing described as dangerous and a further 500 million m^2 requiring demolition or upgrading (Hou, 1994). The development of commercial property and housing created opportunities for urban renewal. Tianjin City for example, was reported to have 7.38 millions m^2 of dangerous and poor housing. In 1994 the city government intended to redevelop these dwellings over a period of five to seven years. The city government adopted a policy to attract overseas investment for urban renewal projects. This policy included:

- Land involved in urban renewal projects would be administratively allocated to developers rather than requiring a market bidding process;
- Permission would be given to developers to include resident relocation costs in the total costs which would determine sale prices in urban renewal project areas;
- Rebates of administrative charges would be provided;
- Overseas companies would be able to obtain bank loans on the same terms.

When completed, the city government planned to provide homes for 600 000 households. (*People's Daily*, overseas edition, 12 December 1993, p.2).

Another example, Chunya District in Guangzhou, had undergone renewal during the 1950s and 1960s (see Chapter 4). During the 1980s and 1990s it went through a comprehensive redevelopment process. There was a ten year plan to cover all 149 streets and 9000 households in the area. The plan was to build more than 240 new 9-storey blocks of flats (the maximum height allowed to be built without a lift). The design of the district produced by the planning bureau also included schools and recreation facilities in the area.

Local legislation exists to ensure that people in an urban renewal area move and to determine compensation. The developer and residents have a common interest in reaching agreement and very few cases have actually gone to court. Two broad options exist. The first is that if the family agrees to move the developer will rehouse them elsewhere in a dwelling of the same size or larger. If they are tenants in the public sector they will rent the new housing, if they are owners in the private sector they will be given ownership of a house. The value of commercial housing in this area is about 7000 yuan per m^2, and consequently compensation can be high. The second option for residents is a temporary move out for two years with a plan to move back to the same size or a larger house in the district. When they move back the agreement is there would be an equal size replacement, or they could pay extra if they moved to a larger dwelling.

So far 70 blocks have been built and about half of the area has been demolished. Of the 3000 households which have had their dwellings demolished, about 1200 are planning to return to the area. There will be increased numbers of households in the area at the end, but because some of the property is for commercial use or for shops the exact number is uncertain. The plans involved retaining trees and historic sites wherever possible and a small hill in the area is being protected as open space. No large scale industry is planned for the area which will predominantly be residential. The old industry is largely being eradicated because of noise and pollution. The key to the future of the whole area is its central location and the development of a local underground station which will make it very attractive to higher income groups. The new area is expected to have more professionals and a higher education level than the old area.

Redevelopment has slowed down recently and attempts are being made to reduce housing costs. More priority has been given to other

schemes in the city especially those connected with the building of underground transportation. Subsidy was required to complete the urban renewal programme. The intention to speed up the process and complete it within 3–5 years, using overseas investment and money from Hong Kong did not materialize, and was abandoned. In the absence of this money the construction height was reduced to reduce costs and facilitate completion.

Ju'er Hutong Housing Rehabilitation Project in Beijing[5]

In Beijing, urban renewal has been combined with commercial housing development under different partnerships and is gradually changing the urban landscape around the Forbidden City. One renewal project, Ju'er Hutong, was initiated by urban planners working in the city's leading prestigious university and has won several national and international prizes. Located in the inner area of Beijing, Ju'er Hutong was a courtyard housing area of run down traditional brick and timber houses built in the pre-1949 period[6]. Because of poor repair and maintenance, most houses in the area had become dilapidated. During the 1976 Tangshan earthquake, with Beijing at the fringes, the courtyards were filled up with temporary shelters which remained after the quake due to housing shortages. The simple one storey dwellings filled 83 per cent of the whole land area and two thirds of these dwellings did not get any sunlight. Because of the very high population density, the average floor space per person was only 5.2 m^2. Other facilities either did not exist or were in very poor condition. The only public toilet, for example, was about 100 m away for most of the residents. Since the ground level was lower then the surrounding area, the narrow passages and some of the temporary dwellings were often flooded by summer rain.

There were about 10 million m^2 of old housing in Beijing. The Master Plan of Beijing Municipality proposed to preserve only 3 per cent of them. There were 29 clusters of old neighbourhoods in similar condition to Ju'er Hutong in Beijing. They had a total floor space of 1.9 million m^2 on 4.35 km^2 of land. Early redevelopment projects involved the replacement of these old houses with multi-storey buildings. However these standardized apartment blocks could destroy the historical environment of central Beijing. To gain experience and find new ways of urban renewal in the environmentally sensitive areas, Beijing Municipal Government and other municipal agencies initiated a joint project with Tsinghua University (the Institute of Architectural and Urban Studies

and the Institute of Architectural Design and Research) which involved Professor Wu Liangyong, a distinguished urban planner in China.

The project at Ju'er Hutong aimed not only to improve the physical conditions of the area, but also to gain experience in urban renewal and find new ways of

- upgrading the physical environment as a whole for the local community;
- combining urban renewal and housing reform;
- integrating modern living and the need for cultural continuity in this historic city; and
- incorporating research in universities and decisionmaking by the local planning authority (Wu, 1994).

To minimize the impact on the historic environment, the strategy formulated was 'organic renewal'. It started from studying the quality buildings and other structures. Well maintained buildings and precious trees were identified for preservation. The dilapidated dwellings would be replaced by new courtyard houses with traditional Chinese architectural features.

The project started in 1987 and is continuing on an increased scale. In the first phase, seven old courtyard houses were identified for replacement. The old dwellings consisted of 64 rooms on 2090 m^2 of land. There were 44 households with 139 persons living there. Forty six new flats of various sizes in 3–4-storey buildings were built around new courtyards. The total floor space was increased by 2.5 times. These new flats included one, two and three bedroom apartments with kitchens, bathrooms and toilets and central heating. The open space in the shared courtyards and passages was also increased (Table 7.6). More importantly, these low rise buildings with traditional style roofs preserved the local historic landscape. When the first phase proved a success, more dwellings were identified for redevelopment. The second phase consisting of about 200 houses was completed in 1994.

The project was developed by a public housing development company with a subsidy from the government. The financial aspects of the project were linked to the urban housing reform in the city. The East District government pioneered an experiment in housing co-operatives in Ju'er Hutong. The costs of rehabilitation and redevelopment were shared by the government, the work units who employed these residents and the individual residents themselves. In the first phase, the existing residents were entitled to a special low price (of

Table 7.6 Housing improvements from the first stage of the Ju'er Hutong project

	Before redevelopment	After redevelopment
Site (land area) m^2	2090	2090
Number of courtyards	7	4
Number of households	44	46
Number of rooms	64	92
Average number of rooms per household	1.45	2
Housing floor space m^2	1085	2760
Floor space per person m^2	5.2	12
Land/Floor space ratio	1:0.84	1:1.34
Building coverage (%)	84	40
Number of storeys	1	2–3
Average unit size m^2	24.66	60

Source: Institute of Architectural and Urban Studies, 1994.

350 yuan per m^2) for the new housing. The work units were expected to subsidize the residents by 250 yuan per m^2. If the work unit could not afford the subsidy, low interest loans were available. For financial reasons not all local residents were automatically able to stay. Those who could not offer the cash to participate were relocated elsewhere in the district. Only about one third of the original residents stayed. After satisfying the needs of original residents, the remaining flats were sold to the general public at the commercial price of 2500–3000 yuan per m^2. This enabled the development company to pay off the cost incurred and make a reasonable profit. This project was appraised as the best urban renewal scheme in the country and won at least six awards including two international ones: the Gold Medal Award for Architectural Excellence of Architects Regional Council Asia in 1992 and the United Nations World Habitat Award Trophy of 1992.

Urban renewal always has important consequences in changing the local community. This organic renewal project differs from many others in Chinese cities. Its main objective was to preserve the historic physical environment rather than to preserve the established local community. Most of the original residents, particularly those who were either poor or did not work for profitable work units, were relocated to other places. Although their living spaces were enlarged, how far their general living circumstances improved is difficult to assess.

Their relocation means lost access to the amenities of an important location in the city and the need to adapt to a new social and economic environment. This area used to have two different social classes: a minority of the very senior central government leaders who occupied the best remaining traditional courtyards and a majority of ordinary urban residents in various occupations. The families moving into the redeveloped schemes brought a new social class into the area. They belong to neither of these original groups but have much higher incomes.

This type of regeneration process has highlighted problems. As the sale price increased fewer original residents could afford to stay in the area. With the expansion of the city the housing available to those having to move was in distant suburbs. This created some social tension over the central areas. It was reported that in some cities too many old houses were demolished and no new housing was built to accommodate the original residents. The investment promised had not materialized and there was insufficient transitional housing for temporary use. Too high a proportion of original residents were left to find their own transitional accommodation and some of these residents organized demonstrations against the city government or made representations to the higher authority (Li, 1995).

Although urban renewal is concentrated in the central areas of large cities, some smaller settlements located in the near suburbs also became the target of local government and development companies. Commercial Developers and a Beijing Suburban County – Changping – employed a rolling programme to redevelop villages. This programme was reported to be able to use the limited resources of developers and individual families efficiently. It not only solved original residents' housing problems but also released large areas of land for commercial housing development. In Xifu Town in Changping County, 169 households originally lived in an area 0.17 km^2 in dispersed country yards. The developer and the county government decided to build a new neighbourhood named Pingxing District. The project began in April 1994. When completed, the original villagers will move into multi-storey buildings with an average floor space of 20 m^2 for each person. (*People's Daily*, overseas edition, 23 March 1995 p.2).

TARGETING OVERCROWDED FAMILIES

Statistics in 1986 revealed that more than 6.7 million urban households were either living in non-housing accommodation or had less

than 4 m^2 of floor space per person and of these 656 000 households had only 2 m^2 or less per person. In 1988 a national conference on dealing with overcrowding and homeless problems was held in Shanghai. Since then both central and local government formally put overcrowding and homelessness on their agendas. In most cities, overcrowded housing is concentrated in certain areas including old town centres where traditional housing is located and the pre-1949 slum areas. These dwellings are owned privately or by the city government. At the city level, different approaches were employed to deal with overcrowding problems. The most popular one was the urban renewal approach in which original residents were rehoused and the old housing was demolished for redevelopment. Simple single-storey structures were replaced by multi-storey blocks. The increase in total floor space meant that original residents moved to new housing and the developer sold the rest for a profit. Another approach was to combine solving overcrowding problems with housing reform. The original residents, mainly tenants of public or private properties, participated in the reform programme. Instead of renting the new housing, the residents were asked to buy the new housing at a subsidized price. This created a new source of funds for urban renewal and speeded the development process. In Bangpu the city government invested 3 million yuan in building housing for sale to overcrowded families in 1990 and 2.8 million yuan was later recovered for further development. Although 0.2 million yuan (not including land premium) was lost in the process, it was regarded as a success story at a time when the housing system was highly subsidised.

In April 1993, further central initiatives were put forward by the Ministry of Construction and the National Trade Union in a document, 'Suggestions for Speeding up the Solution to Urban Housing Overcrowding Problems'. These included:

- establishing a special office (*jiekunban*) to deal with homeless and overcrowding problems in cities with over 500 000 people or more than 1000 households in difficult situations;
- each city should carry out surveys to identify households with housing problems, establish databases and produce annual plans to specify targets to solve these problems. All cities should aim to eliminate overcrowding among families with less than 4 m^2 of floor space per person by the end of 1995.
- new housing should be provided at the current average standard in the city to avoid repeating problems associated with increased housing standards.

- employing various methods to deal with problems: (a) continue the principle of sharing the costs between government, work units and individuals and sell the new housing to residents with subsidy; (b) local government should use a portion of the funds generated by housing and land reform each year for house building for overcrowded households; (c) overcrowded households should be given priority in new work unit housing distribution, and less profitable work units should participate in co-operative house building; (d) encourage individual house building; (e) each commercial developer should provide the city government with 10–20 per cent of their new housing at cost price for sale to overcrowded households.

Activity in Guangzhou City illustrates progress with overcrowding problems. Since 1986, the city had periodically surveyed residents to identify households with problems and produce plans to tackle them. By 1992, living floor space for all 11 642 registered households had been increased. The city employed several successful ways in handling overcrowding problems. These include:

a) housing built directly by the Special Office (*jiekunban*): The city government provided land and investment to the office to build housing for overcrowded families.
b) support large work units to build on land under their control to solve overcrowding problems within their institution.
c) The city government published regulations to control work unit housing allocation policy and ensure priority for overcrowded families over other needs. In work units which could afford to build housing, 30–50 per cent of new housing units must be allocated to overcrowded or homeless families. The other 50 per cent could be used for improvement or exchange by currently better housed tenants. Of the vacated housing units occupied originally by families who moved into new housing 70 per cent must be allocated to overcrowded families.
d) Commercial property developers who acquired land from the city government were required to let at least 10 per cent of their commercial housing floor space to the special office at a favourable price determined by the city government. The office then sells them to overcrowded families.
e) The city government adopted a policy to compulsorily purchase (at cost price) any illegal construction which was built and had no

major side effects on future development according to the city plan. These properties were then sold by the Special Office to overcrowded or homeless families.

f) Building some small units for rent to young couples as transitional accommodation.

Through these methods, the Special Office had directly provided 9800 units and through these continuous efforts, the average housing floor space per capita in Guangzhou was the best of the ten largest cities in China in the middle 1990s. Ten years previously the average housing floor space per person was only 3.86 m^2 and was the lowest among the ten largest cities (*People's Daily*, overseas edition, 1 January 1995, p.5).

PROVIDING AFFORDABLE HOUSING

High commercial housing prices, wasteful investment in high standard apartments, continued housing shortage problems in cities and the stability of the majority of urban employees, particularly in the public sector have become major concerns of housing reformers in China since 1993. Like Guangzhou, many cities began to address overcrowding and dangerous housing problems. These activities developed into special policies in housing under the slogan of Peaceful Living (*anju gongcheng*) or Affordable Housing projects. Beijing began to tackle the housing problems of middle and low income households in 1993. In September, the city government produced a *kangju* (Healthy Living) Project Plan to build low cost housing estates. Under this plan the cost of housing for middle and low income households will be shared by the state, the work units and individuals. By the end of 1994, enough capital was accumulated for the building of 400 000 m^2 of Kangju housing. (*People's Daily*, overseas edition, 2 February 1995) In Shanghai, an Anju Housing Development Centre was set up in 1994. During the previous ten years, the total new housing floor space had reached 40 million m^2 in the city. But there were still 240 000 households living in accommodation with less than 4 m^2 per person. With the establishment of Shanghai Anju Housing Development Centre the city aimed to build 7 to 8 million m^2 of new housing every year (*People's Daily*, overseas edition, 26 April 1994, p.1).

It was not only large cities which addressed low income family housing problems. Yantai City, the front runner of housing reform,

started two Anju projects (Huian and Fuan) in 1994. The first stage of 50 000 m^2 of subsidized housing was completed in the same year and provided houses for 860 ordinary households. These houses were sold to the households for a subsidized price of no more than 1000 yuan per m^2. The subsidy included free land allocation by the city government, tax reductions and a contribution from the property development companies. The price for a 60 m^2 flat was about 50 000 to 60 000 yuan. (*People's Daily*, overseas edition, 27 January 1995, p.1)

In January 1995 the State Council issued the Implementation Plan of the State Anju Projects. This introduced the Anju Projects into the formal housing reform process. The aim was to speed up housing construction and commercialization. The basic principle of finance was *government help, work unit support and individuals bearing the main costs*. The target groups were low and middle income urban households (traditional public sector employees). The project began in 1995. Central government enlarged the original house building plan by an additional 150 million m^2 in five years. Of this 12.5 million m^2 was to be built in 1995 with an estimated investment of 12.5 billion yuan. The investment and scale of Anju Projects in subsequent years was to be decided annually. The initial capital investment required for Anju projects was shared by central government and the cities which have been approved to carry out such projects. The investment was to be recovered through the sale of the completed houses. Central government agreed to provide 40 per cent of the investment through bank loans. The remainder was provided by city governments from city housing funds, work units housing funds, individual housing savings and pre-sale payments. The city government organized construction, appointed developers and arranged bank loans. The bank loans would be secured by mortgages on the developers' assets and the longest lending period was three years. Interest rates would be decided by the Central Bank, the People's Bank.

The State Plan requires each city to plan Anju projects according to the city's overall plans, to reduce construction costs for these through the free allocation of land and the subsidy of district and neighbourhood infrastructure costs and to select developers by tendering or bidding. The sale price should be the cost price including the costs of land acquisition compensation; survey, design and land preparation; building; provision of neighbourhood facilities (half to be paid by the city government); a 1–3 per cent management fee; loan interest; and tax. The sale of Anju housing should give priority to homeless families, those in dangerous housing and overcrowded families. Retired

persons and school teachers should also be given priority. The Banks lending for Anju projects should establish a mortgage lending system for home buyers with individuals paying 40 per cent of the house price at purchase and the remainder repaid within ten years. After sales were completed a management and service system should be established in Anju projects.

Not all cities automatically became qualified for anju project development. Apart from providing land and bank loans, the city must apply the policies set out in the 1994 document, *The Decision on Deepening the Urban Housing Reform* (see Chapter 6). This meant that over 60 per cent of employees had participated in the housing provident fund system; rent reform had been carried out and plans were made up to the year 2000; and the housing sale price had been determined according to the central mechanism. Otherwise as a penalty no anju project would be approved for the city. The State Council Housing System Reform Office is responsible for the overall planning and approval of Anju projects in consultation with the Ministry of Construction. At local level, the Housing Reform Office, Construction Commission, Planning Commission, People's Bank and Finance Department were jointly responsible for the development of anju projects in their area.

Like many other central policies, this implementation plan only set out the basic framework. Its application at the local level was left to local government and implementation varied from place to place. Xian city established an Anju Project Leading Group consisting of a Deputy Mayor and many deputy directors from most government bureaux. In contrast to the central government organization, the Group had an Office not in the Housing Reform Office but in the City Housing and Property Management Bureau. The Office planned 300 million yuan investment in anju projects over five years. In the first project three sizes of flats were planned at 57 m^2 (one bedroom), 62 m^2 (two bedrooms) and 65–7 m^2 (three bedrooms). About 80 per cent of these were two bedroom flats. The average size of flat (62 m^2) was much larger than the national required standard (55 m^2). The argument was that in inland cities, the knowledge of the commercial housing system had not been widely established among the general public. People still believed that once they bought a house they were going to stay in it for life. Consequently small flats would be difficult to sell. The city Anju Office carried out living condition surveys to identify homeless and overcrowded families. Special forms were sent out to district offices and work units to be completed by these families.

The final list of successful applicants was publicized in the local paper. The initial survey identified over 118 000 households which needed new housing and with the level of investment which applied in 1994 it was felt that it would be impossible to meet the target of eliminating overcrowding in the city by 1999.

CONCLUSION

Urban housing policy has experienced many important changes during the 1990s. Looking back at the objectives set for the Eighth Five Year Plan period, the government can claim success in most of them. Housing investment in the urban areas has expanded at a scale never experienced before; the planned floor space completion target for the five year period was achieved within the first four years; there was improvement of housing conditions (Table 7.7); most new housing was developed by commercial companies in comprehensively developed residential schemes; a primitive housing and real estate market was emerging; housing estate management was become a normal practice in most newly built commercial estates. In comparison with the 1980s, housing policy had developed to cover a much wider area than the narrow focus on the public sector and the work unit. By the mid 1990s China had developed a complex array of market and privatization measures. These are summarized in Table 7.8. Different rights and costs were associated with different schemes and complementary measures had also been developed.

In spite of this progress, there are still problems facing policymakers. The increased unit costs for new housing, particularly in the commercial sector, created many problems. The average costs of 1 m^2 housing was 390 yuan in 1991 in the commercial sector, by 1994 it had increased to 1439 yuan. The consequence was that although housing investment had increased dramatically the floor space completed only showed a moderate increase (see Table 7.2). This resulted in unreasonably high housing prices. These were beyond the reach of most ordinary urban employees and employers. During the mid 1990s, overcrowding and homelessness were still serious problems, although a huge amount of new housing lay empty in many cities because no one could afford to buy it. This problem eventually led the government to adjust housing policy. The development of high standard apartments and cottages was discouraged. More attention was given to the development of low cost housing for ordinary urban families (the salary earning class), particularly those employed by the public sector.

Table 7.7 Housing improvement in major cities

City name	Non-agricultural population (1000)	Living floor space per person m^2		
		1989	1993	Increase
Shanghai	8.10	6.37	7.28	0.91
Beijing	5.98	7.30	8.44	1.14
Tianjin	4.67	6.58	6.85	0.27
Shenyang	3.72	5.43	6.15	0.72
Wuhan	3.46	5.92	6.48	0.56
Guangzhou	3.04	4.89	8.89	4.00
Harbin	2.49	5.50	6.17	0.67
Chongqing	2.34	4.87	6.33	1.46
Nanjing	2.19	5.64	5.91	0.27
Xian	2.07	6.09	6.36	0.27
Chengdu	1.83	7.13	7.94	0.81
Dalian	1.82	5.43	7.22	1.79
Changchun	1.76	5.71	6.51	0.80
Jinan	1.60	7.46	7.79	0.33
Taiyuan	1.60	6.85	7.75	0.90
Qingdao	1.57	6.39	7.65	1.26
Zibo	1.27	7.79	8.17	0.38
Lanzhou	1.25	6.82	7.11	0.29
Anshan	1.24	5.90	6.70	0.80
Fushun	1.23	5.20	6.45	1.25
Zhengzhou	1.23	7.45	7.71	0.26
Kunming	1.22	7.56	8.30	0.74
Changsha	1.17	6.89	7.29	0.40
Hangzhou	1.15	7.67	8.01	0.34
Nanchang	1.14	6.25	7.29	1.04
Shijiazhuang	1.13	7.64	7.87	0.23
Urumqi	1.11	7.04	7.78	0.74
Jilin	1.10	5.40	6.17	0.77
Qiqihar	1.09	4.87	6.05	1.18
Tangshan	1.09	6.58	7.48	0.90
Guiyang	1.08	6.87	7.29	0.42
Baotou	1.00	5.72	6.94	1.22

Source: State Statistical Bureau's Urban Social Survey Team, 1990 and 1995.

This Chapter had indicated that important initiatives have developed to meet the needs of the homeless, overcrowded and badly housed. These initiatives do not embrace illegal migrants and temporary workers. Nevertheless they have been successful in complementing other public and private sector activity. The new concerns with management and design also represented maturing of approaches to policy.

Table 7.8 Major elements in housing privatization

	Price	Eligibility	Rights	Other
1. Sales of existing public sector dwellings				
Pre-1993	±120 y/m	Sitting tenant	User rights	Various subsidies
After 1993	a. Cost price	Sitting tenant or other	User rights	Resale after 5 years
	b. Market price		Property right	
2. Sales of newly built public sector dwellings				
Pre-1993	±1/3 of costs price	Nominees by work units	User rights	Employer and city subsidies
After 1993	a. Cost price	Nominees by work units or other	User rights	Resale after 5 years
	b. Market price		Property right	
Only properties no one wishes to buy would be allocated for rent.				
3. Development of commercial housing				
	Market price	Urban residents according to ability to pay	Property right	
4. Compulsory savings for house purchase and repair				
In 1994, 5% of employee's salary each from employer and employee was required to be saved into the employee's personal bank account managed by the employer.				
5. Privatized Housing Estate Management				
This is to replace the direct involvement of work unit in housing estate management.				
6. Increased Rents				
Pre-1993: gradual increase to 1 yuan/m^2 to cover costs of maintenance.				
After 1993: gradual increase to the level of 15% of household income by 2000; a large sum of deposit.				
7. Complementary affordable housing schemes				
Addressing overcrowding and homelessness problems of low and middle income families.				

The urban renewal and up-grading of older housing was another dominant feature of housing development during the 1990s. Although it was regarded as very successful, it involves wider social issues. The original residents of renewal areas have generally been dispersed to suburban estates because of affordability problems. This involves the break up of communities and the social and economic networks on which families have relied. This may repeat the development pattern in the West between the 1950s and 1970s. Large housing estates without adequate job opportunities and supporting facilities may lead to serious social and economic problems in the near future. The political consequences of the relocation process needs careful study.

8 Rural Housing Since 1949: An Overall View

INTRODUCTION

China is a vast country and the Chinese population is by no means homogeneous. In housing, rural and urban differences are most important. Traditionally, Chinese people were housed in self built shelters. Prior to the arrival of the Communist government state assistance had not been provided for housing. Industrialization and urbanization after 1949 brought about an increase in the urban population and housing urban residents became a key issue. The majority of the population, however, still live in traditional shelters without much help from the government. This chapter aims to provide an overview of housing provision and change in rural areas.

China spans over 5000 km both from the south to the north and from the east to the west. The vast territory occupied by many minority groups in the west established very different human settlements and shelters according to local tradition and culture. It is impossible to present a complete picture of rural housing situations all over the country in this short review. The chapter is based on mainly North China and draws on secondary materials and government statistics published in Chinese. The chapter begins with a discussion about the characteristics of rural settlement, administrative arrangements and key features of traditional rural housing. It will then focus on housing development since 1949 including the effects of early land reforms at the beginning of the 1950s, the impact of the cultural revolution and rural living conditions during the 1960s and 1970s, and rural housing development during the economic reform period. Finally it will discuss issues related to the management of rural housing land, village expansion and the protection of agricultural land.

RURAL SETTLEMENTS AND ORGANIZATION

Primary human settlements began with the specialization of human activities, particularly the engagement in agricultural activities. As one

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of the earliest civilizations, Chinese people developed a very advanced rural based settlement system. The basic units of this system are the villages. Banpo for example, currently an archaeological Museum at the east of Xian city, reveals the remains of an early matriarchal clan commune village from about 6000 years ago. This site covers an area of 50 000 m^2, consisting of living quarters with a large central house and many small houses around it. The whole was surrounded by a river and a man-made ditch. A pottery-making centre was outside the living quarter. There was also a graveyard with about 250 graves. Various tools and equipment made of stone and bone (stone axes, arrowheads, fishing-net weights, fishing hooks, spinning wheels and bone needles) were found from the site. This indicates that Banpo people mainly engaged in agriculture, hunting and fishing. Similar historical sites have been found in many parts of the country.

With the growth of population and the expansion of agricultural production the density of villages increased and eventually spread out from a few cultural centres to occupy other areas. Traditional villages were small settlements with several dozen households and a few hundred people in areas of fertile land. The population in each village usually had one or several family names and households were linked through family ties. The distance between each village ranged from a few hundred metres to a few kilometres. Villages in mountainous areas were much smaller and more dispersed. Advances in technology and the development of commercial activities resulted in the specialization of rural settlements and enabled some villages located at major route nodes to expand. The large villages became the local commercial centres which were also used by feudal rulers and government as local control centre. Some of these larger settlements developed into major cities. The rural economy was small scale and always family based. Because of the importance of agriculture in rural life, land was the most important resource and asset of rural families.

Throughout the feudal period up to the beginning of this century, there were no established formal rural government organizations below the county town level. By the time of the Qing dynasty (1644–1911) a typical county was composed of several hundred thousand people. Supervizing so many people, spread over a wide area, with roads that were typically few in number and poor in quality, and without modern communications, was exceedingly difficult. The county magistrate had a staff of assistants, but they were far too few to actually administer the area under their jurisdiction. The county magistrate therefore had to seek the help of prominent local people and

informal organizations such as *Baojia*[1] (Dreyer, 1993). The control of rural areas relied heavily on local wealthy and landlord families. Traditional rural China had been a very hierarchical society. All understood that some members of society were wealthy, powerful and could do almost as they pleased, while others were poor and weak. During the early half of this century, the Nationalist government introduced a rural management system in some areas but this was not fully established because of continuous wars.

Formal rural administration and organization was introduced for the first time by the Communists in the early 1950s through the rural land reform. Private land ownership and the feudal administrative system had resulted in a highly irrational land distribution. In some areas,

> more than 70 per cent of land was owned by the landlords and rich peasants who accounted for less than 10 per cent of the rural population. The peasants who constituted 90 per cent of the rural population owned less than 30 per cent of the land. And the poor and the lower middle peasants had to rent land from the landlords and the rent in kind was usually about 50 per cent of what was harvested'. (Ma, 1990, p.189)

The form and perception of the land problem today is different than in the past in China and conflicts over land were a very important element in the Communist revolution. The social reality of an extremely unequal land distribution gave the communists the chance to mobilise the rural poor and peasants. Land reform initiatives during the Liberation War of 1946–9 against the nationalists were important in winning the support of peasants. When the new government was established in Beijing in 1949 land reform became a national policy for the whole of mainland China.

In June 1950 a land Reform Law was issued to abolish the exploitative feudal landlord ownership and establish farmers' ownership to liberate productive forces (Hague and Wang, 1988). The central task of the reform was to redistribute land. Rural households were divided into five classes according to the amount of land they owned and the number of farm labourers they hired. The five classes were landlord, rich peasant, middle peasant, poor peasant and farm labourer – the last usually having no land or property. The Land Reform Law provided for the confiscation of landlords' land and its redistribution to the poor. The process was to be administrated by a Township Peasant

Association. This was a farmers organization established under the direction of the government. Landlords were not deprived of all of their land but were left with the same amount that others had. The middle peasant class neither gained nor lost land. The essence of the reform was redistribution of land between private owners on an equitable basis. There was no land nationalization or collectivization. By September 1952, land redistribution was almost complete. About 700 million *mu* (about 46.7 million ha) of land and large numbers of draught animals, farm tolls and other elements in production were transferred to 300 million peasant households.

Since 1952, the organization of rural production and development has passed through several stages each with different policies. Immediately after the land reform, the government persuaded the peasants to adopt 'the socialist road' of farming and this involved several stages.

1) The first stage of this move was to set up *mutual aid teams* of three to ten households. Peasants still owned their newly acquired land and tools and only helped each other with jobs that needed collective effort.
2) The second stage involved *elementary agricultural producers' co-operatives* which retained private land ownership but practised unified management and distribution with the members contributing their land as shares. The income was divided into two parts for distribution: one part was distributed according to the amount and quality of labour and the other part according to land shares.
3) The third stage advocated *advanced agricultural producers' co-operatives* which introduced collective ownership and abolished private (capitalist) land shares. The whole process was pushed through in a relatively short period from 1952. By 1956 over 96 per cent of the country's total rural households had joined co-operatives and 88 per cent were in advanced co-operatives. (Ma, 1990)
4) The most radical stage was the *People's Commune* movement during the Great Leap Forward period, particularly in 1958 and 1959. Rural production was organized and centralized in a similar way to industrial factories. Large numbers of villages (about 100) over vast areas were grouped together to form one commune. All land became the commune's property and no family plots were allowed. Farmers were remunerated through public rationing and communal canteens were established to replace family based

kitchens. Coupled with other disastrous production policies, this people's commune system caused great human and economic loss to the rural communities.

5) From 1963 onwards, the original commune system was modified into a three tier system. The *commune* was the owner of land and the main administrative tier; the *production brigade* was a middle control and management tier; and the *production team* (the natural village) was the basic production and accounting unit. A proportion of land under the control of each village was divided into small family plots for food production as a surplus to the annual production team grain distribution. The production team was responsible to the government for various land taxes.
6) After 1979, the three tier commune system was reformed and gradually replaced by the so called *contract responsibility system*. With this system, the old commune organization was retained but its name reverted to *township*, the lowest tier of rural government under the control of the county. The production brigade was renamed the central village with limited managerial functions. The production team collectively owned the land but decentralized agricultural production to families through the contract responsibility system. Farm land was distributed according to household size. Families became directly responsible for land taxes. The contracts ranged from a few years to 15 years with periodic adjustments. Farmers gained freedom to produce different crops. This system proved very successful in the early years of Chinese economic reform and generated substantial increases in family income.

Since 1978 rural reform gradually relaxed government control of rural communities, particularly in political and organizational terms. The relationship between households and the government is now dominated by economic concerns. The collective organization's power has been reduced to a few limited functions such as arranging contracts and family planning. In 1997 the rural settlement system consisted of:

- County seat towns.
- Central market towns (5000–8000 people) which are rural district seats and serve 4–5 rural townships.
- Market towns (around 2000–5000 people). These are township administration seats and service centres for education, cultural and

other functions, rural enterprises, periodical open markets and commercial activities.

- Central villages. These are rural village committee seats and vary in size from 200 to 500 families. In the north plain areas they may be even larger (700 to 1000 households), but in the south hill country, they tend to be much smaller with around 100 households.
- Villages. These are the basic units of the rural community embracing 10 to 100 households but normally between 30 and 50 households. (State Science and Technology Commission, 1985)

CHARACTERISTICS OF TRADITIONAL HOUSING

Although rural China has experienced many changes in organization and management since 1949, family life and housing had not changed much for the majority of the population before the 1980s. Rural families lived in traditional style courtyard housing which varied from location to location. Although there were distinctive locational and ethnic features of housing, traditional rural housing shared some basic common characteristics. The most important of these was private ownership. Although farm land was distributed very unequally before 1949, most families did have a private place to live. Homelessness was not very common in peaceful times unless as a result of major disasters such as flood and war. Apart from religious temples, no housing was available for social provision. The size and condition of houses in the same village varied, sometimes dramatically. The rich, usually big landlord families, could have well built and decorated courtyards sufficient to house several generations. They would also have housing for their hired farmers, usually in a side yard looking after the animals including those used for farming. In north China, many hired farmers had their own home in the same or a nearby village. Ordinary family houses only provided basic shelter without extra facilities and consisted of one or more bedrooms and a kitchen. It was common for different generations to share bedrooms. Some poor families had no separate kitchen. Fuel for cooking and heating consisted of natural materials such as straw, dried grass and bushes. Toilets and bathing facilities within the house were rare even among the rich. For the ordinary people, the backyard where the family animals were kept would be the toilet. Porcelain washing basins would be used for washing up. Water came from natural sources such as streams and wells and in dry areas was collected from rain water. Water buckets and vats were

essential household implements and running water was rare. Traditional rural housing was built with a simple structure. Most dwellings were of one storey. Better quality dwellings might have a second floor used for storage. Local materials were used with timber as the key element. Most of the walls and floors were made of dried earth or sunbaked bricks. Properly made bricks and stones were only used for the base of the walls or other delicate areas such as the tops of walls and window sills. The roof usually had a wooden framework with clay tiles. Habitats in the minority and mountain areas included houses built with bamboos and timber with grass roofs.

Self-help was the main element in housing construction. Families took years to gather materials and money for house building. They would cut their own trees long in advance to allow them to dry before use. Since there was no appropriate material market and little income, materials were purchased piece by piece from neighbours, relatives and friends. Brick factories were essential places to purchase bricks and tiles. Before building, the family members would make their own sunbaked bricks and allow them to dry before preparing the base. If this was a rebuilding, temporary accommodation was provided by neighbours and the old house was carefully dismantled to salvage useful materials such as wood and bricks. The timing of the building was very important. The family needed to wait for a good harvest from the field before any major work. They must have enough food stored for the helpers. When the time came for building, the family would hire one or two carpenters to design the house (since traditional houses in a particular area were all very similar, there was only a limited design element) and to construct the framework. The family members and their relatives, friends and neighbours would be involved in other less skilled, labour intensive work. The wooden framework, the roof and external walls were put into place first within several days. Then the carpenter would work with the family members on windows, doors, and internal fittings. During the building, family members, particularly the adult males, would be the major labour force. The housewife would cook for the helpers and the carpenter. The whole building process could take a couple of months. The major costs of the building were materials and the wages of the carpenter. By the time the house was completed, the family would be exhausted both physically and financially.

Rich families would rebuild their houses frequently to improve their living conditions and to show off their wealth. The design and building process here could be very different from among ordinary families.

The building work was carried out by experienced designers and hired labour. More emphasis would be placed on the quality of materials and decoration. The walls would be all brick and the roofs would be covered by specially designed tiles. The floors could be covered by either bricks or sanded wood. The whole courtyard was usually paved with bricks.

For most people, because of the energy and costs involved, house building was a once in a lifetime experience. The usual time for house building or rebuilding was before the marriage of the eldest son of the family. Although generation sharing was common, this usually involved the young and the old or unmarried children and parents. In most areas married couples have their own room. The house was a most important asset to attract a good daughter-in-law or wife. At this time, the parents were still energetic and the children were most active. The combined forces from two generations made the work much easier than if it was managed by one generation. The spiritual incentive for the parents to leave their children a good property and the incentive to marry in a new house for the young were two driving forces in the Chinese culture behind this family event.

Traditional rural China was a self-sufficient and family based economy. Rural housing should not be studied independent of the farming process and land. Housing land was only a small proportion of family assets and its real value was its use value. Since rural mobility was very low and there was no housing exchange market, the market value of rural family housing was meaningless. Very occasionally, someone sold their house but they had to buy a new one somewhere else and this was a very difficult process. Housing land was mainly inherited. The other most important asset of rural families was farming land which provided the family with food. Richer people had more farming land and better and bigger houses. For moderate income farmers, the balance between the farming land and housing was very important. With a good harvest and some savings, decisions had to be made over whether to buy more farming land or to build a new house. The poor with small land holdings were vulnerable to the vagaries of weather and natural disasters. When a crisis arrived, the first thing on sale would be farming land rather than the house which provided shelter. Once the house was lost, the family became beggars or farmworkers for the rich landlords. The land, particularly, farming land was the most important living material in traditional Chinese villages and once land was lost, the family was deemed to be destroyed. This was one reason for the Communist land reform when they won power.

RURAL HOUSING DURING THE 1950s AND THE EARLY 1960s

During the land reform movement, along with farm land redistribution, landlords' housing and other processions were also confiscated and redistributed free of charge to the poor and homeless. This was the first policy under the Communists with direct housing implications for rural China. Those who gained housing either moved into the confiscated properties or demolished the original houses and used the materials to rebuild in their own courtyard. Other household furniture of landlord families such as tables, chairs, farm tools and animals and household goods were also redistributed. The confiscation and redistribution was not always peaceful, and sometimes was very violent. Landlords were often criticized verbally or physically abused in political meetings. Some of them were imprisoned by either the farmers associations or the authorities.

After the Land Reform some families' income increased and they were able to improve their living conditions. Between 1953 and 1957, despite some gradual improvement of villages and housing, several factors prohibited large scale rural housing development. Firstly, the government embarked on a very intensive industrialization programme. To ensure sufficient funds for industrial development, agricultural production needed to be promoted and surplus rural incomes were transferred to the industrial sectors. To achieve this the government used the land reform initiatives to increase crop production through various co-operative management methods such as those outlined previously. They also monopolized the purchase of agricultural products to ensure that enough food was provided for the industrial work force and to keep food prices down. This policy actually transferred the main benefits of the rural land reform to the government itself and the urban population. Secondly, the political pressures on the rural rich sent a strong signal to all rural households that excessive wealth was not a good thing. It was much safer to keep at the middle level and as long as housing was livable, no efforts were made to improve it. Richer households which had escaped the land reform redistribution kept a low profile to avoid being attacked. For the majority of rural households, living conditions were probably better than for many urban households and particularly those which had recently migrated to the cities.

Housing development did not increase during the late 1950s, particularly during the peak years of the Great Leap Forward (1958–59).

The rural population was mobilized to establish People's Communes and private assets were under threat. Newly acquired household crop land was collectivilized. Farm animals and tools were handed over to the communes. During the GLF period planned village development was for the first time pursued in some areas of the country, but the ideological drive to achieve 'Communism' was more important than to improve the living conditions of farmers. Although a great number of design and construction specialists were working on rural development and many interesting plans were drawn up, not much actually happened on the ground. In many villages, demolitions exceeded construction. In other areas, some development consisted of 'Communism' houses built without private kitchens, toilets and places for farming and household animals. Family woks were taken away to make iron and steel. Large canteens, nurseries and houses for older people were provided from existing housing. A lot of historical buildings such as religious temples were destroyed. The GLF also encouraged rural areas to develop industries. This controversial policy directed farmers away from the fields to small iron-making factories. Normal agricultural production was affected and in some areas, crops were left to rot in the fields. Coupled with the break down of Sino-Russian relations and poor weather, the following three years (1960–2) were disastrous in large rural areas. Hunger returned to villages and many people died without food. Under such political and economic conditions, building new family houses was inconceivable.

The government began to adjust development strategies in 1963. The Peoples Communes were reorganized into three tiers. Rural small industries were closed and farmers again concentrated on collective farming. However, their land was not returned and the monopoly purchase of agricultural products was retained. After two years of adjustment, rural household incomes were stabilized. Both private house and public facility building activities began to increase. At the same time government sent urban construction specialists to the rural areas to investigate the housing situation. Many good proposals in design were developed. In the south of the country, steel and concrete were introduced into rural housing for the first time. These developments, however, were not sustained for very long. In 1964, a so-called socialist education programme was carried out in the rural areas. Urban based officials were sent to the villages to educate farmers to abandon private farming ideas. One of the key aims of this programme was to change rural class divisions. During the land reform period, rural households were divided into five classes. The leaders of

all rural organizations relied on the poor and the middle classes. The rich and the landlord classes were excluded from decisionmaking. Central government believed that the class division criteria were not adequate and some rich and landlord households had 'escaped through the net'. These capitalist households were the main obstacles on the socialist road. They must be identified and attacked. Many households were consequently reclassified into the landlord or the rich classes. Many of them were wrongly classified even according to the new standards as a result of family hatred built up during the early years of class struggle or private grievance. The new landlords were criticized and physically abused until they agreed with the decision. For the new landlords, there was no land to lose, but housing, family furniture and equipment became targets for confiscation and redistribution. The beneficiaries were mainly the local village leaders.

Throughout the 1950s and the 1960s, there was not much real effort from government to improve housing conditions in rural areas. The only building activities involved rebuilding very old and dangerous houses. Because of the materials used, most rural housing has a short life span compared to houses in Europe. Apart from some well structured big houses of landlord households, most ordinary family houses could only last for 20 to 30 years – for about one generation. The timber frames would distort and decay. The earth walls would become dangerous. Apart from small scale repairs from time to time the normal practice was to pull down the old houses and rebuild on the same site. The renewal process during these turbulent years occurred, but at a much slower rate. For those who built, the size of the new houses were small and only the use value of the house as a shelter was emphasized. No attempts were made to build grand, fancy buildings. The existing big houses were either sub-divided into smaller ones or poorly maintained as the owners kept a low profile. Generally speaking, the architectural value, the condition and appearance of rural housing declined during this period, even though its distribution was much more equal than previously.

HOUSING CONDITION DURING THE CULTURAL REVOLUTION

The Cultural Revolution which started in 1966 heralded another period of stagnation in rural housing development. It began as a political movement in the urban areas but had profound social and

economic effects on the villages. It continued and extended the class conflicts of the early 1960s. The targets of attack not only included the old enemy, the landlords, but also village leaders, the rich peasant class, and 'anti-revolutionaries, bad people and the rightists'. The last three categories could be from any class. Through the whole period, only collective values were emphasized. Any people who wished to develop private interests could be criticized. To secure sufficient food supply, the monopolized purchase of agricultural products was further strengthened. When harvest time came, government officials from the county or the commune would come to villages to ensure government taxes and purchase quotas were met before any distribution was made to individual households. Production teams were required to increase basic food crops, particularly grains and to stop any other sideline products. Since the state purchase price was very low, the available cash income for distribution among the farmers was very limited. At the same time, rural free markets were forbidden. There were only government shops which provided very basic necessities such as salt, soap, matches, paper, farm chemicals and fertilizers. There was no market for construction materials (timber, bricks, tiles and so on) at all. Skilled builders and carpenters were required to work in the fields. All these policies and practices pushed private house building beyond the reach of most ordinary households.

Through the 1950s and the 1960s, no family planning measures were taken. In most villages population increased by 30 per cent to 50 per cent: overcrowding became common and housing conditions were deteriorating. Most better quality bigger houses built before 1949 were demolished either by the authorities or the family themselves. The physical structure of rural villages showed little inequality between families. Everyone's houses came down to the condition which the poor and the lower middle classes used to have, with no decorations and no wooden details. They were only simple shelters. The different features of each household used to be shown by the courtyard gates along the village streets, but these were replaced by more or less similar small entrances and doors in plain simple walls. From time to time, for hygiene or propaganda purposes, street walls were painted white which gave the feeling of a military camp.

During the late period of the Cultural Revolution collective living was promoted again under the banner, 'Agriculture Learns from Dazhai', a slogan endorsed by Mao Zedong. Dazhai was a production brigade in Shanxi Province and had brought in collectively built housing for its villagers. Some places tried to follow suit by demolishing

traditional rural housing and replacing it with military style unitary housing. In a few places, small villages were entirely demolished and the residents were concentrated in a larger central village (the production brigade) where private home ownership was replaced by collective ownership. All individual private house building came to an end. Fortunately, there were only a few of these places. In most villages the private ownership of houses was maintained.

Although general housing conditions declined, the Cultural Revolution period brought some benefits to rural areas. The most important was the introduction of electricity. Electrical lighting was used for the first time and replaced kerosene or vegetable oil lamps. Other applications included electric mills and agricultural equipment such as pumps for irrigation. Under the collective management system, there were improvements in public facilities such as roads. There was also an increase in public building. Before collectivization, the only public buildings were religious temples scattered around the rural areas. During the Cultural Revolution, public buildings such as offices, warehouses, collective farm animal feeding yards, mills, clinics and schools were built in every commune. Some of the public buildings were constructed using materials confiscated from the rich or old temples. Collective management also brought together the farm animals and this improved the health conditions in individual courtyards. Despite these improvements, rural production stagnated and the commune system experienced many problems. The most important of these was the lack of initiative from farmers who tended to rely on village leaders to tell them what to do. These leaders simply followed the commune leaders' instruction. When wrong decisions were made, all of the people in the commune suffered. More importantly, the government failed to get the grains it needed for the urban population.

RURAL HOUSING BOOM UNDER REFORM

In the rural areas China's economic reform began after the Third Plenary Session of the XIth Party Central Committee held in December 1978. Reform policies introduced during the following five years included:

- respect for rural collectives' (production brigades at the time) land ownership and their rights to manage production and handle other affairs;

- to introduce a household contracted responsibility system for agricultural production;
- to resume and protect family plots and households' sideline production and develop country markets;
- to distribute rewards according to work inputs and encourage initiative;
- to increase state purchasing prices for farm and sideline products.

In practice, each household was allowed to contract a certain amount of land (determined on the basis of the size of the household and the number of labourers), to deliver grains directly to the state as an agricultural tax and to the collective as a common accumulation according to a contract. The surplus farm products belonged to the contractors. This system gave peasants more right to make their own decisions in production, management and marketing. At the same time, the people's commune system had been changed. The communes became the townships, the lowest level of formal local government. Production brigades were replaced by village residents committees. The production teams were dissolved with the team leaders retained to manage limited collective works.

By the end of 1983, 94.5 per cent of households in rural areas contracted land. There was a swift improvement in agricultural production. In 1984, China's grain output topped 400 million tons for the first time. This was an increase of 32.8 per cent over 1978. Further reform was introduced to the rural areas in 1985 with the publication of 'Ten Measures Concerning the Further Vitalizing of the Rural Economy'. New policies included:

- Cancelling the state monopoly purchase and arranged purchase for agricultural and sideline products;
- Introducing a system of fixed quotas for purchasing by contract;
- A readjustment of the rural industrial structure and an emphasis on the development of township enterprises and the production of agricultural and sideline products.

Rural reform and particularly the responsibility system increased household incomes to a much higher level than any time during the communists' control. The higher income was the result of several factors including batter managed farm production, higher state purchase prices, increased economic and cash making crops, opportunities for rural industries including rural enterprises set up by the townships and the village committees, and employment outside the

villages particularly for skilled people such as carpenters. With government consent, rural market trade was also restored including that in building materials. These changes created the opportunity for rural housing development, and immediately brought about a housing boom. It was officially estimated that between 1978 and 1981, a total of 1500 million m^2 of new housing was built in rural areas. That was more than was built in the 28 years from 1949 to 1977. Fourteen per cent of rural households built new houses or improved their existing houses between 1978 and 1980 (*People's Daily*, 19 March 1981, p.2). This affected some 22 million houses. Average floor areas are given as 70 m^2 in northern China and 90 m^2 in the south – both very good figures by Chinese urban standards (Leeming, 1985).

Apart from increased income, several other factors contributed to the housing boom. Housing shortages were the most important. Rural housing had experienced very limited expansion and improvement during the 28 years of communist rule. However, the rural population had more than doubled during the same period. There were about 200 million people in the rural areas aged between 18 and 32 in 1980, and about 8.8 million couples married each year. The government removed the control on rural housing development in 1978. In December 1979, the State Construction Commission and the State Agricultural Commission and three other central ministries held a joint conference on rural housing development. Subsequent policies promised to protect home ownership and private property rights in the rural areas. After this conference, a special office was set up in the State Construction Commission to coordinate central government policies. Most provincial governments also set up similar organizations to promote experiments, technical support and personnel training. In 1980, the State Agricultural Commission and Chinese Architectural Society jointly organized a rural housing design competition. Over 6000 different designs were received, 142 were selected and later published in reference manuals. Special supplies of steel and glass were also made through the state economic planning to support rural housing.

The Sixth Five Year Plan period (1981–5) was a golden time for Chinese farmers. It was marked by fast income growth in rural areas. Agricultural production was improving and housing was being built at an unprecedented rate. At the beginning of the period, central government anticipated that about 2500 million m^2 of rural housing and 300 million m^2 of other rural public building could be completed. During the five years, a total of 3300 million m^2 of housing and

500 million m^2 of public building were completed. This new development was more than the total during the previous 30 years. The average housing floor space per capita in rural areas increased from 11 m^2 to 15 m^2. The quality of new housing also improved. In 1984, for example, brick-wooden houses and brick and concrete houses accounted for 56.5 per cent and 28.5 per cent respectively of the total newly built houses, in 1985 they increased to 61.2 per cent and 28.7 per cent respectively. Buildings of more than one storey increased from less than 3 per cent in 1981 to 26 per cent in 1985. The provision of other facilities was improving as well. Government statistics showed that by 1985, 54.2 per cent of the villages had an electricity supply; 40 per cent of the rural households had access to purified water and of these 13.8 per cent had access to running water. In some relatively wealthy villages, farmers were able to use modern sanitary, heating and cooking equipment. (*Beijing Review*, No 17. 27 April 1987, pp.16–18.)

Despite these improvements, new rural housing was still often very basic with limited budgets, no knowledge of modern building technologies and a lack of good affordable materials. Traditional housing in most rural areas was of only one storey, but during the housing boom, two-storey buildings became increasingly popular. However, tall buildings required better materials such as steel, cement, good quality bricks and glass. Although the government provided some steel and glass through economic planning for rural housing this was insignificant. No provision was made for cement and timber for rural housing. Rural households still relied on the family members to collect and prepare materials and this usually took several years. Some received help from friends or relatives or obtained materials from the state shops through corrupt local officials – usually at a higher price. In Zhejiang Province, farmers paid prices 50–80 per cent higher than the planning prices for cement products. Timber could cost twice the state controlled price.

Poor design, poor building skills and inappropriate planning controls created unregulated street patterns and produced, in some instances, low quality housing. Since there were no properly trained builders, new buildings could be of very poor quality. Accidents happened from time to time. One of the worst accidents involved a family in a village in Hunan Province. During the celebration of moving into their new two-storey house, the building suddenly collapsed killing 41 and injuring 33 people inside the house. In 1988, the Ministry of Construction surveyed rural construction quality in 1764

projects with a total of over 3 million m^2 of floor space from nine provinces. About 70 per cent of these projects failed to pass the standard test.

In 1984, central government published an urban economic reform programme which showed that the income of most urban households has increased more rapidly than rural households. Rural housing construction began to decline after 1985 (Table 8.1). During the late 1980s, however, village resettlements were carried out. Villages originally located at dangerous places such as those on steep slopes, near dams and other places under threat of natural disaster were relocated to nearby flat land. These resettlements were different from long distance resettlement organized by the government in poor remote areas. They were initiated by the villagers and used the land owned by the village – exchanging residential land for agricultural land. The new village plan was approved by village committees and the township. The location of family courtyards in new villages was usually decided through drawing lots. The actual building process was left to the households themselves. Better off families would start moving early and build larger and better quality houses in their new courtyards while the less well off would move later and build smaller houses. Government loans with low interest were provided for households with difficulties. The whole relocation process usually took several years. Housing quality in these new villages varied but the new settlement represented a major improvement for every one. In the three new settlements visited, almost all houses were built with bricks and timber instead of dried earth. The only down side of resettlement was the loss of good quality crop land. The size of new courtyards in each village was standardized and was not determined by the size of the household. Larger families with grown-up sons were allowed to separate into smaller households to have more courtyards. The total number of households in the village usually increased during the move. At the same time, the old village had usually been located on slopes which were not very suitable for crops. The new villages were all on flat, good quality land. Villages with strong leaders were able to take these opportunities during the 1980s when policy was favourable, support was ready at hand, and building costs were low. There remained villages in dangerous locations that missed the best time to relocate.

During the first half of the 1990s, rural housing development continued to slow down. The number of households building houses and the average housing spending declined between 1990 and 1993. The key reason was the increase in costs of construction materials

Table 8.1 Rural house building: 1978–89

Year	No. of households building a new house (million)	As % of total households	Floor space built (million m^2)		% of houses with brick and timber structure	Average house size (m^2)
			Total	Of which, over 1 storey		
1978			200			
1979			200			
1980			500			
1981			600			
1982			600			
1983	8.92	5.0	668			74.9
1984	9.93	5.3	671	150	56.6	67.6
1985	9.82	5.4	718	187	61.2	73.1
1986	9.49	4.8	710	190	81.8	74.8
1987	8.88	4.3	695	219	84.2	78.3
1988	7.89	3.7	623	224	85.5	80.0
1989	6.58	3.0	526	197	87.0	80.0

Sources: Compiled from various sources including *Almanac of China's Economy, 1981 to 1990.*

Table 8.2 Housing space and building costs in rural areas 1978–93

Year	Rooms per household	Per capita living space	Costs per m^2
1978	–	8.1	11.8
1979	–	9.4	–
1980	4.06	–	–
1981	–	10.2	23.9
1982	–	10.7	28.2
1983	–	11.6	–
1984	–	13.6	–
1985	5.11	14.7	40.7
1986	–	15.3	–
1987	–	16.0	–
1988	–	16.6	–
1989	–	17.2	–
1990	5.61	17.8	92.3
1991	5.46	18.5	101.0
1992	5.55	18.9	111.2
1993	5.79	20.7	126.6

Sources: Compiled from various sources including *Statistical Yearbook of China 1994* (State Statistical Bureau, 1994).

(Table 8.2), in a period when farmers real incomes showed little increase. (State Statistical Bureau, 1994b).

VILLAGE PLANNING AND LAND USE CONTROL

Traditionally, Chinese rural settlements developed without formal planning and regulation. The term 'natural village' (*ziran cung*) is still used to refer to independent rural settlements. On flat areas such as large plains or river valleys villages developed with a more regular street pattern. Most major streets go from east to west with front doors facing south. With slow population change and private land ownership, villages expanded slowly. Occasionally new courtyards were added to the existing ones. Population increase led to higher density and sharing. In central China around Xian for example it was very common during the 1950s and 1960s for several households to share a courtyard. Through the late 1970s and the 1980s, large scale housing development meant that most villages expanded beyond the original village walls into the surrounding crop land. Figure 8.1 gives

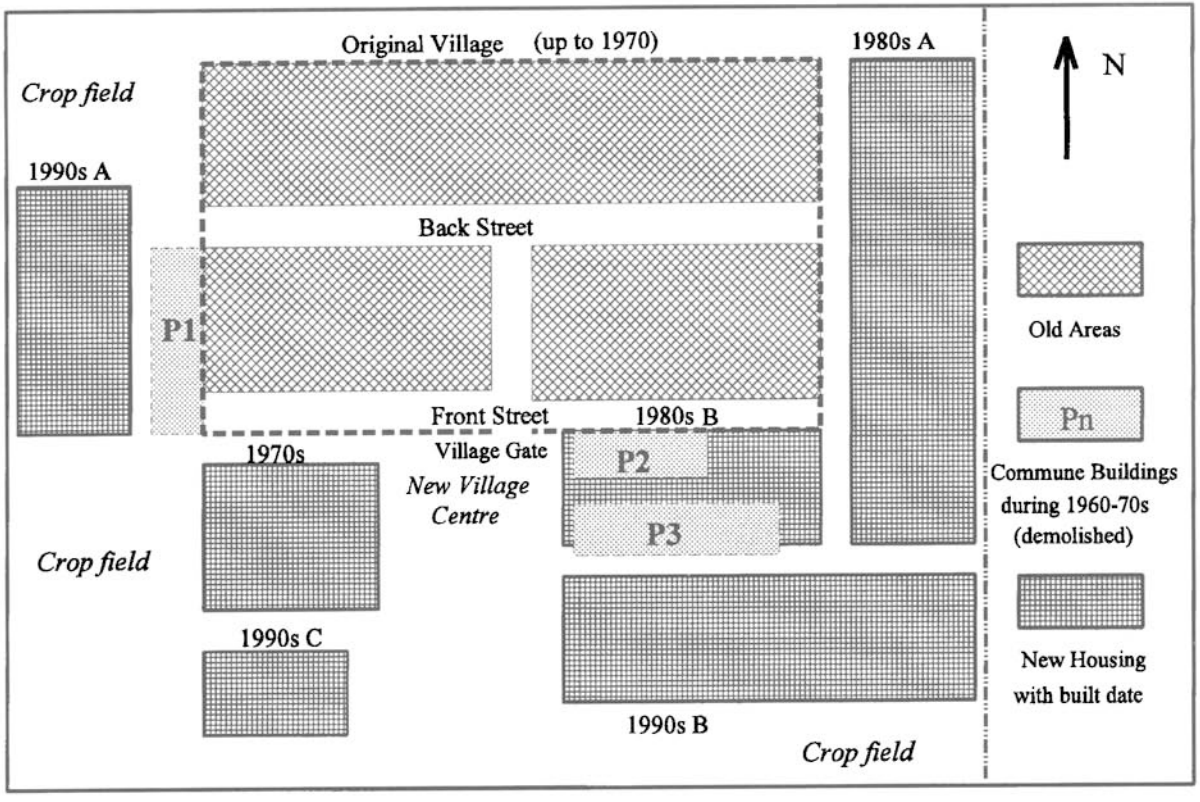

Figure 8.1 Housing land use in Changma village

an example of housing expansion in Changma Xicung in Shaanxi Province. Because of rural enterprise and commercial development, townships in advanced economic areas developed much faster. Huazhuang Township in Jiangsu province for example, was planned for 0.32 km^2 in 1978. By 1982, it has expanded to 0.89 km^2, and the township occupied an area of 2 km^2 by 1984.

China's agricultural land per capita is very low compared to the world average and the shortage of agricultural land presents an acute problem. China currently supports 22 per cent of the world's population on 7 per cent of the world's total farmland, largely by using highly intensive farming methods (Edmonds, 1994). The protection of crop land from development has always been an important issue and since 1949 several land related regulations have been issued to safeguard land from construction. Powers relating to land allocation and approval of transfer from agricultural production to industrial and other uses were gradually centralized. Local government powers only related to approval of small scale developments (Figure 8.2). In 1953 county level government had powers to approve land transfers of up to 1000 mu. By 1986, in urban areas their powers only applied to approvals below 3 mu of good crop land or 10 mu of other categories of land such as waste or mountainous land. Any project involving over 1000 mu agricultural land or 2000 mu other land had to be approved by the State Council. The non-intervention approach continued in rural areas. Most local leaders considered that 'Farmers built their houses for generations; they did not cost the government any money; there was no need for regulations.' In many places there was no formal government organization in charge of rural housing development (State Council, 1982). The rural housing boom highlighted some problems. It ate away good agricultural land around the villages at a much faster speed than before. In the early 1980s, 14 to 15 million mu of agricultural land was lost for construction in the country as a whole; one third was used for rural housing. It was reported that many families separated into smaller households to apply for new courtyards. The average household size dropped very quickly from 5 to 4 persons. (State Science and Technology Commission, 1985, pp.39–42) Within the collective land ownership framework, land was freely allocated by local leaders for new housing development. Lack of established regulation and corruption were also major causes of excessive land consumption. A central government report pointed out that many local leaders at various levels actually took advantage of the system. They used their powers to seize public and collective properties and land to

Land Unit: *mu* (1 hectare = 15 *mu*)

Land and related Acts	Central Government: The State Council	Local Government		
		Provinces and Autonomous Regions (including, Beijing, Shanghai and Tianjin)	**Municipalities and Prefectures under province**	**County**
On the Method of State Construction Land Requisition, 1953 (Administrative Council)	The State Council: Land for all state planned projects and all defence land use. The Regional Authorities (abolished in 1954): Projects requiring more than 5000 *mu* of land or involving the relocation of more than 300 rural households	Projects requiring 1000-5000 *mu* land or involving the relocation of 50-300 rural households.		Projects requiring less than 1000 *mu* of land or involving the relocation of less than 50 rural households.
On the Method of State Construction Land Requisition (Revised), 1958 (State Council)		Projects requiring more than 300 *mu* of land or the relocation of more than 30 rural households.		Projects requiring less than 300 *mu* of land or relocation of less than 30 rural households.
State Construction Land Requisition Ordinance, 1982 (State Council)	Projects requiring more than 1000 *mu* agricultural land (include orchards) or more than 10000 *mu* of other land such as mountains, etc.	Agricultural land between 3 and 1000 *mu*, forest and grassland 10 to 10000 *mu* or other land 20 to 10000 *mu*.	City with over 500,000 population to examine land use plans and then hand in to provincial level for final approval.	Less than 3 *mu* of agricultural or orchard land, less than 10 *mu* of forestry or grassland or less than 20 *mu* of other land.
Land Management Act of PRC, 1986	State projects requiring over 1000 *mu* of agricultural land or over 2000 *mu* of other land.	Crop land, under 1000 *mu*; other land under 2000 *mu*. Provincial government to decide land use approval power of all lower level authorities.	Various between provinces. In Shaanxi Province, for example, Crop land 3-10 *mu*, vegetable land under 5 *mu*, other land 10-20 *mu*.	Less than 3 *mu* of agricultural or orchard land, less than 10 *mu* of other land.

Figure 8.2 Land transfer approval powers at different administrative levels in different Acts

build luxurious private houses. They also took bribes from other residents to allow illegal land occupation.

From 1981, central government began to address these problems. A Directive from the State Council, *Urgent Notice on Preventing Rural Housing Development Invading Agricultural Land*, was issued. The State Construction Commission and the State Agricultural Commission held the second rural housing construction conference in December, to discuss policies and legislation to promote housing development and at the same time to protect agricultural land and the rural environment. In the following year, for the first time, the government began to promote village planning and aimed to bring rural housing development under control. Programmes for training village planning and construction personnel were introduced throughout the country and in 1982 alone, about 114 000 people completed short training courses.

The State Construction Commission became the Ministry of Urban and Rural Construction and Environmental Protection in 1982 and a Rural Construction Bureau was established. Local government at province and county level followed the central pattern. At the township level, a construction officer system was also established. Since then rural housing development has been brought under formal government control. In 1982 the State Council also issued a document, *Village Housing Development and Land Use Management Ordinance* to regulate rural housing development. It stated:

- house building must comply with village plans;
- land used by each household must be within the local housing land use standard;
- housing development must go through application and approval procedures.

In 1983, central government proposed a *Rural Construction and Technology Policy Outline*. Major policies included were:

1) to develop a multi-layer rural settlement system with villages at the lowest end, central villages, and the townships as a regional centres;
2) to develop rural planning to coordinate rural production, circulation and various construction;
3) to apply the principle that improvement was the primary objective and new building secondary;

4) to develop various local facilities and buildings as required by the rural economy;
5) to develop new rural technologies and practices.

A longer term strategy up to the year 2000 was also proposed:

- each village and town to have reasonable construction plans
- each household to have a *comfortable, healthy, compact* courtyard
- each township to become a comprehensive economic and cultural centre with agricultural, industrial and commercial activities
- most villages and townships to have a reasonable basic infrastructure and facilities to meet the requirements of production, circulation and living.

Since 1982 more systematic policies for rural development have been introduced. Most province and county governments produced their own rural housing land use standards. Shaanxi Province, for example, issued a rural development land use standard in 1982 (Table 8.3). Formal approval was also introduced to control housing land use. The procedures generally included: (a) household application to the village leader; (b) approval by the natural village residents' meeting; (c) village committee approval; (d) township examination and approval. For housing on open spaces inside the village, the township decision would be final. If crop land was required, further approval was necessary from the county agricultural bureau.

Table 8.3 Rural land use standard in Shaanxi Province

Land use	Standard
Village planning area (housing, public buildings, street and green space)	300–400 m^2 per households or, 67–80 m^2 per person
a. Courtyard (housing and private open space inside courtyard)	Suburban and flat areas: under 200 m^2 Hill and mountain areas: under 270 m^2
b. Street and road width:	
Main street in town	Around 10 m
Main street in villages	Around 7 m

Note: County governments were empowered to determine their own standards within the provincial upper and lower limits.
Source: Shaanxi Province People's Government, 1982.

From 1984, rural housing development shifted from dispersed individual construction toward comprehensive village and township development. The emphasis turned to rural architecture and design, and comprehensive development and construction. Central government aimed to complete initial village and township planning and strengthen rural construction management to save agricultural land during the Sixth Five Year Plan period (1981–5). By the end of the period, apart from some remote areas, 84 per cent (2.6 million) of villages and 93 per cent (43 700) of townships had initial plans. It was estimated that these plans would mean some 2–15 per cent of agricultural land would be saved. About 464 000 rural people went through training courses and 14 special schools were set up to carry out training activities. The government also carried out numerous comprehensive development experiments to improve the rural environment.

In spite of these efforts the loss of rural farming land remained a problem throughout the late 1980s. Between 1985 and 1988, 4.15 million mu (277 000 ha) of agricultural land were lost to housing development in rural areas. This was a third of the total land transferred from agricultural to construction uses. Excessive and too frequent housing redevelopment, the pursuit of higher standards and the continuation of leadership corruption were believed to be the main causes. At the beginning of the 1990s, a more detailed Land Management Act was issued and a mass campaign to save agricultural land was carried out. At the same time, economic mechanisms were tested in some areas to slow down the loss of crop land and abolish free land acquisition in villages. Some local administrations began to charge farmers for residential land use. Central government encouraged these experiments and indicated that the income should be used for the development of public facilities in the village. However income in rural areas had lagged far behind that in urban areas, rural households' costs had increased with charges for health and education and charges for housing land were not applied in most villages.

CONCLUSION

Under the Communist rule housing for the rural population in China has gone through many important changes. Political campaigns toward landlords and the rich in the 1950s and 1960s brought rural housing development to a standstill while confiscation and redistribution of properties solved some problems for poor peasants and homeless

people. The Cultural Revolution left rural housing quality and condition very poor for another 10 years. By the late 1970s, hard labour with little reward and poor living conditions in rural areas pushed farmers to the edge of yet another revolution. The tension was released by the introduction of the rural reform. In 1978, the government began to reorganize rural production by introducing the family contract responsibility system and at the same time it promised to respect private home ownership in rural areas. Increases in household income led to a rural housing boom which spread from the economically advanced east coastal areas towards the remote mountain villages. This reached a maximum in the mid 1980s the golden period for Chinese farmers since the early 1950s. The urban economic system reform commencing in 1984 tipped the balance between the cities and the countryside. Urban household income grew at a much faster rate than that of rural households. Urban and rural income differences and the higher rate of inflation eventually put a break on rural housing development. By the 1990s, rural housing construction needed to compete with urban development for materials, labour and land. Increased prices for building materials coupled with slow increases in income slowed down rural housing development.

The housing boom in the 1980s improved the circumstance of millions of rural families and brought fundamental changes to the rural landscape. However, it had many associated problems. Housing expansion took land out of agricultural production. In a country where food supply had posed many problems in the past and good agricultural land was always short, rural housing construction caused a lot of concern, although it cost the government nothing directly. Through the 1980s, protection of agricultural land from development was always on the government's agenda and it eventually reached the top. However, it did not solve the problem. Government policies emphasized the importance of the protection of crop land and at the same time they promoted housing development by aiming to provide each household with a courtyard. This courtyard policy became an incentive to build in villages in order to obtain more land. It encouraged rural families to break into smaller households to get extra residential land. In many villages, both grown-up brothers and some parents and sons were separated into different households with their own yards. This excessive land occupation was made easier with the notion of collective village land ownership. Housing land allocation was determined administratively by the 'need' and was free of charges.

Official corruption and mis-use of power were other factors affecting the loss of land. After several major campaigns this problem has not been solved. The urban based property development boom of the 1990s posed another threat to good quality crop land. One third of land loss was caused by rural housing while urban expansion, industrial projects, road and other communication projects also took land. In the suburban areas of all major cities, commercial property development took over entire villages' land to build housing estates for urban residents. In economically more advanced regions, even the county engaged in commercial property development. Many villages located in these areas took advantage of this opportunity to make short term financial gains by releasing their land for development.

It is not difficult to identify inequality and segregation in rural China. Not every household was able to build a new house. Rural reforms created the environment for farmers to get rich. But not every village and individual benefited equally. The gap between different regions and between households was reduced during the early years of Communist control and subsequently widened rapidly. Villages in economically advanced regions such as the Pearl River Delta and Yangtze River Delta were much richer than those in the inland regions. Villages around major cities also fared better than remote ones. House building spread from the coast and suburbs across the country. House style and quality also changed along with their owners' financial power. In each village, the differences are also very prominent. Richer households built new houses outside the old village, while the poor and the old were left behind in the central areas with run down earth houses.

Housing development was accompanied by the demolition of village facilities during the pre-reform period. In individual villages these included warehouses, animal lots, mills and other buildings. Farming animals, machines and tools were distributed to each household and this made any collective work difficult. Schools, health care and irrigation systems were all under threat from lack of funds. Many services previously subsidized by the communes now required payment by individual families. Various charges and taxes were levied. While this did not create a major problem for better off households, it put severe pressure on the very poor for whom basic living costs became a problem again.

9 Conclusions: Continuities and Changes

In this final chapter we aim to summarize the discussion in previous chapters by bringing together the most important features of the Chinese housing system both before and since the reforms of recent years and by discussing the social and economic impacts of the reform programme. Finally, we discuss the future of housing policy in China.

CHINESE HOUSING AND RESIDENCE

The most important feature of Chinese housing is the different position of urban and rural areas. Housing provision in the urban areas has changed fundamentally since 1949 and government has been deeply involved in almost every aspect of housing production and consumption. Massive resources and efforts have been invested in cities and towns to provide accommodation for urban residents. Numerous policy documents and legislation had been generated to regulate the urban housing system. However, the property rights of households in urban areas were limited. The majority of urban residents were housed in publicly owned shelters. The number of homeowners declined steadily between the 1950s and the 1970s and much of the private rented sector was transferred to the state. In contrast in the rural areas traditional family houses and private ownership were not changed fundamentally and the government did not extend its policies (or the current reforms) to these areas. During the first three decades of Communist rule, rural housing development was restricted in various ways. The most important and effective method was to limit the household income in the villages through collective production and management. Closing down the market in building materials further contributed to rural housing stagnation. This urban and rural division is not only relevant to housing, but to almost every other aspect of the social and economic life of the Chinese people. Although the Communist government introduced fundamental changes to both rural and urban areas since it came to power, the country is ruled from the cities. While rural life has been left in the

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traditional style, urban life has been given new meaning under Communism. General industrial workers from a state run factory, professionals and party leaders, are all associated with cities and towns. The population is officially registered by the government in two categories: rural and urban. To change one's registration from rural to urban, 'from agricultural to non-agricultural' residence, is the most important and difficult change in a Chinese persons' life. In the Eastern European countries state socialist policies were biased in favour of the cities with socialist power in the region designed to control the cities and to govern the country from them. The Chinese system was similar although its origins pre-date Communism.

Differentiation in residence registration had a significant impact on the urbanization process in China from the 1950s to the 1970s. Compared with many Third World countries, the urban population of China increased very slowly at a time of industrial development. In later economic reforms, urban and rural registration was maintained but the control of migration was relaxed. Although it was difficult to change residence registration easily, it became possible for rural people to travel to the cities and find short term or temporary jobs in the cities. However, these people were excluded from housing in the public sector and they have not been allowed to purchase housing in the market. Government statistics show that urban housing conditions improved dramatically after 1978, but this relates only to officially registered urban residents. Rural to urban migrants find housing in the flourishing private rental sector and it is not unusual to find several rural migrants crowded into one small rented room in the suburban areas of large cities. In addition to the established urban families which still have housing problems, there were estimated to be over 80 million farmers 'floating' in cities. The housing of this group has not been on the government's agenda. With the widening gap between urban and rural incomes, this group is bound to expand in the future. These unofficial urban residents are a source of concern as they could lead to social instability and pose a threat to the process of planned urbanization and modernization in cities.

The second important feature of Chinese housing is the differentiation of the public sector from the private sector in urban areas. For 30 years since 1949, urban housing provision was deliberately moved from the private to the public sector. The private rental sector was almost eliminated and remaining private housing was mainly owner occupied. During this period, home ownership compared unfavourably with highly subsidized new public housing. The pattern of

urban development and planning meant that old private houses were not secure places to live in. The land could be requisitioned by local government for other development. Old houses also lacked basic facilities such as an inside toilet and water supply and provided poor shelter with broken windows and cracked doors. People who lived in older private houses had a lower social status and were discriminated against. It was very common during the 1970s and the early 1980s for people who lived in large institutional compounds (such as government departmental residences, a university campus and factory residential quarters) to look down upon the private sector residents and refer to them as 'little citizen' (*xiao shi min*). This social attitude and unfair treatment was reinforced in many cities during the reform period when private home ownership was encouraged. When the reforms involved cash subsidies to offset rent increases, residents of these older private sector were usually excluded. For people living in a small public sector flat, the surplus cash from subsidy was in effect an addition to family income. For people living in the private sector reform was not only irrelevant but involved a loss compared to their work unit colleagues. In most cities, homeowners were people who had lived in the city before 1949. The new urban residents working in government offices, organizations, institutions and industrial establishments were recruited and selected through various mechanisms with particular reference to their political reliability. This new urban class formed the core of the social system. To become part of this new urban class the original urban residents needed to work their way through these selection procedures in the same way as rural people. The only difference was that they were much nearer to the opportunities geographically. This locational advantage did not always guarantee them a better chance. During the early years job opportunities were distributed to the rural areas through the labour force planning system at the same time as urban residents were being sent to the countryside. The majority of urban homeowners in central areas were lower class urban citizens than those living in the public housing areas or compounds. They were generally in low status jobs. The privatization programme of the 1990s will create more homeowners in cities and towns and they will be different from the traditional 'little citizens'. They are the most privileged, the new urban class with better job security and higher incomes and their homes are located well away from the old private sector.

Traditional urban homeowners have nevertheless benefited from reform and urban development in other ways. Where they were

involved in business (restaurants, street corner shops and so on), their income increased substantially. This enabled them to improve their houses but it did not necessarily change their social status. Early urban renewal provided them with another chance to be integrated into the new society. When the land occupied by their house was needed they were usually given a new flat (either to rent or buy). In recent years, with the economic boom in large cities, urban renewal programmes have been carried out on a large scale. Housing estates have been constructed a long way from the older central areas. Private homeowners were rehoused in these peripheral locations while the central area was used for other highly profitable developments. This rehousing without social integration could actually increase social divisions and it caused some complaints and protests. Although relocation improved the immediate physical living conditions of these people, it left them in a more isolated peripheral social and economic environment.

All of these elements are contributing to a modernization of Chinese cities. The process of change reflects the legacy of the past and continuities with previous systems of stratification. However it involves very new elements associated with economic change and with housing reform. In relation to housing reform, the impacts are both of transfer from the public to private sector and of displacement in the process of urban renewal.

Continuing restrictions on rural migration and the position of temporary and illegal workers also has begun to change the face of Chinese cities. All of these factors will contribute to a re-stratification of population. China's starting point in terms of spatial and social segregation is a very different one than either Western cities or the socialist cities of Eastern Europe. Although many of the pressures and changes will begin to produce patterns similar to those in Western cities, it will take a very long period before distinctive elements and the legacy of past patterns of residence are eliminated. Chinese cities are likely to retain elements of past arrangements.

This book has referred repeatedly to key features of Chinese cities. In essence these cities have been strongly influenced by the period of industrialization which has taken place under the socialist system in China since 1949. There has been a massive movement of population to the towns and the growth of cities has been spectacular. This growth has been a planned growth with restrictions on registration and migration. Residential development has been planned in close association with economic change. The strength of this link has been made very much greater by the key role that employers play in the

provision of housing. The dominance of the public sector in new building in cities has been added to by measures which effectively confiscated much of the private property in these cities.

The Chinese approach to the provision of public housing has been distinctive. Housing was provided as part of projects for capital investment and enterprises which were carrying out capital projects, built housing for their workers as an integral part of these projects. The result was a pattern of housing production, distribution, maintenance and management which was decentralized to each public institution, rather than to a unitary housing authority. These decentralized institutions often organized both their housing activities and their production activities within areas of land allocated to them in cities. For an individual enterprise or institution the economic activity occurred within the same compound as residence. Housing was regarded as part of the wage costs of enterprises and public sector housing was freely distributed to employees. No deposit or other payments were required before the tenants moved in. Rents were extremely low because the provision of housing was one of the costs that had been taken into account in determining wages. Housing was allocated according to a notion of need which related to the status of the household head in his or her office, rather than according to the characteristics of the family, the number of children, housing conditions, overcrowding or other considerations. The linkage between work and housing is financial and social and affects where people live. Large state enterprises and institutions all have residential quarters adjacent to their workshops and offices. This reduces travel to work costs and reduces traffic congestion. In economic terms it puts constraints and burdens on the production establishment and in social terms it provides different patterns of social segregation.

The emerging characteristics of Chinese cities relate to a segregation between work units and a considerable degree of social mix within work units. Because some work units, especially those for government employees, were better paid and had higher status, some of the segregation between work units amounts to a social segregation more familiar in the West.

However, as a whole this system produced a different pattern of stratification than in the West. The image of housing within work units is that the driver of the director of the unit could well live in the same block of flats as the person he drove and certainly they would live in neighbouring dwellings. They would have occupied different sizes of flats but they were not segregated spatially. The spatial divisions

related to occupational and industrial and administrative differences, which divided work places from one another. Within these work places the social mix was considerable.

This is a very different pattern, either than that produced by a market system in which segregation relates to affordability or that associated with public and social housing in Western European economies based on a redistributive welfare state. Households whose status changed within the work unit would be able to move to a larger flat commensurate with their status but they would move within the same compound and they would still pay similar rents. The degree of social mix is retained. The sharpest social distinctions were that those in administrative or government employment did not live alongside those employed in industry or different kinds of production enterprises.

This perspective on the role of work units and the implications for the patterns of segregation provides one important element of the Chinese situation. In so far as privatization breaks down the direct links between work unit and place of residence, privatization will begin to change the pattern. However the extent of change should not be over stated. Most of those who have bought housing, have bought housing in the work unit and they will continue to live in that housing for the rest of their lives. Even if they wish to move and even if there was a market which would enable them to move, in most cases they have not purchased the property right but merely the user right. Consequently they are not able to sell the property. We have a form of privatization which is different from that familiar in the West and will not produce the patterns of residence associated with the West, at least for a very considerable period of time. The privatized public sector will not be absorbed into or become indistinguishable from a market sector and will retain distinctive features. What has been created is a package of housing rights which has important elements of private ownership and control but involves restrictions on resale and exchange and, partly because of the type of accommodation, will have different management patterns. What has been developed is a mechanism which increases private household expenditure on housing and increases responsibility for maintenance and repair. This goes a long way to resolving a problem for the state but the mechanism is one which will not facilitate mobility or put at risk the stability of the system.

Other elements of privatization may have more effect in breaking down the links between work unit and residence. In new housing developments for example, many flats are purchased by work units in

order to house their employees. The consequences of this will be that employees are no longer all housed within the work unit compound but become more scattered and on the new estates there will be a mix of occupational categories. However there is less likely to be a mix in terms of income and status within units.

The changing role of work units in housing is an important element in re-stratification within Chinese cities but, as has been stated previously, it should not be seen as the only element in change. The process of urban renewal and the displacement of population is at least as important. It involves breaking up the mixed areas in the centres of cities. These are associated with pre-revolution patterns of building and allocation of housing. While people who have moved from these areas to large peripheral estates have experienced a considerable increase in housing quality, their access to the facilities and services of the centre of the city have been reduced and the social mix of the older central city neighbourhoods has been lost. It may be that the process of urban renewal, in the short term at least, is more important in changing socio-spatial patterns within Chinese cities.

This discussion has placed considerable emphasis on the significance of work units in Chinese housing. Again it is important to emphasise that this is an urban pattern. In rural areas 80 per cent of households are homeowners. However, in urban China public sector housing has been more dominant than was generally the case in Eastern Europe outside Russia and the importance of the work unit has added a distinctive element to the organization of housing provision. While Eastern European regimes placed some responsibility for housing on work units (see for example Andrusz, 1992) their role was not so significant as in China and direct provision of housing by the state in mass housing estates was more common.

The longer term objectives of Chinese housing reform are to introduce a market system. As China moves towards that goal so many of the features of Western cities will emerge. However, for the next 20 or more years, we are likely to see cities which show evidence both of the past system and of a slow development of market processes. The reform of Chinese housing will slowly begin to break links between employment and residence and in some cases this will mean that those households with the least choice will begin to be concentrated, irrespective of their place of work. For example, they will be likely to be housed in the less desirable peripheral areas of cities, where low profit housing is cheaper and where new developments aimed at households with difficulties are concentrated. Government workers and core

groups in the economy are more likely to remain in higher status zones, perhaps previously associated with government employment, or with higher prices in commercial production. The significance of the changes embodied in housing reform may be less about the language of markets than about changes in spatial patterns associated with the break between the historic role of the public sector in linking production and consumption in the same place.

PRIVATIZATION

These speculations relate to the nature and process of privatization in housing. It is too easy for research studies to use a word such as privatization and for this to conjure up images in the readers minds of privatization that they are familiar with. For example the experience of privatization in economies which already have well established market sectors is one which involves a relatively straightforward transfer of properties from one system to another. In Britain for example, the process of the sale of council houses through the Right to Buy and previous schemes appears to involve a straightforward transfer from the public sector, (with all that means) to the private sector (with all that means). There are some doubts in practice about whether this is an accurate representation. However it certainly is not an accurate picture for what has happened in China.

In Britain privatization has been an end in itself. It has been designed to roll back the state to expand the homeownership sector and to shift the balance of ownership and control within the economy. There have been capital receipts generated through this process but they have not been used to reinvest in housing but rather to assist government in balancing its borrowing and expenditure and enabling it to achieve public expenditure programmes without increasing borrowing and with reductions in taxation (Forrest and Murie, 1990). In the case of some Eastern European countries, privatization preceded the downfall of Communist regimes as an attempt to give households a stake in the system, or it became a symbolic act to indicate the end of the old regime or it acted as a shock absorber in a period of radical political change (see for example Hegedus, Mayo and Tosics, 1996; Struyk, 1996; Kosareva, 1993). In some cases it was also complicated by the enormous backlog of disrepair. Transferring ownership to individual households, perhaps for a very small sum of money, enabled the state to escape from the responsibility and consequences of this backlog.

In China the most striking feature of privatization has been different from either of these. The justification for privatization has increasingly been about the generation of funds for investment in housing and the process has been linked with the establishment of housing provident funds which provide a form of compulsory savings, which are crucial not just for housing but also for social security provision. The principle on which privatization is based relates to the circulation of capital. Low rent public sector housing provides only a trickle of funds which can be used to reinvest in the housing sector and to build more houses and improve living standards. However a formula based on privatization, with people purchasing houses through savings, through family gifts and loans and through bank loans, is one which generates a considerable flow of funds in the form of payments for purchase. These funds can be reinvested in housing and in turn this investment is released quickly and generates a further set of funds for investment. So the funds initially used for housing investment are reused and circulated to enable a higher volume of output to be achieved.

The Chinese approach to housing privatization has been designed to sustain a high level collective investment in order to improve housing conditions but to avoid locking up capital permanently in that investment. The rationale of this privatization is then very different. It is not about expanding homeownership for its own sake or about increasing mobility and market exchange. Rather it is designed to achieve increased private funding of future investment in housing and to achieve a more efficient and effective circulation of public funding to achieve this. The terms of sale with the sale of the use right rather than the property right confirm the purpose and concern not to destabilize communities through speculative or market related turnover of properties and people. It is significant that, in this approach, if assets are sold at too low a price circulation objectives are not achieved. Concern about the level of sale price is associated with this. In contrast in the British and Eastern European situations, prices have been well below market levels and discounts have been enormous. Chinese communism appears more concerned to realize the full value of assets than does either old or transitional capitalism.

In this context the role of the housing provident fund merits more attention perhaps than the formal privatization of housing. The housing reform programme has increasingly come to be dominated by these housing provident funds and it could be argued that housing reform offices are increasingly preoccupied with this issue. It is their

position in relation to these funds which gives them their power and influence. Along with the receipts from the sale of properties these funds are used to finance housing production and have enabled the massive investments that have taken place. The early experiments in Shanghai and elsewhere involved different schemes but these have now become consolidated and all cities adopt the same compulsory levy to generate these funds. The significance of such funds goes beyond housing production however. Individuals are able to draw on these funds to finance substantial maintenance and improvements of properties. In this sense we have a mechanism which could help to prevent the future dilapidation of properties so apparent in both public and private sector systems elsewhere. Finally, and equally importantly, households can withdraw their contribution to these funds on retirement. The housing fund doubles as a compulsory savings scheme for old age.

At this point it becomes clear that we are talking about much more than housing reform and we are demonstrating how far housing reform is an integral part of a wider reassessment of social and economic policies and the role of the state in social provision. The majority of the features referred to above have not applied in Eastern European systems. Although public sector housing in China shared many common features of the public sector in the socialist systems in Eastern Europe before the collapse of their communist governments, it has a number of distinctive characteristics. While multi-storey flats have begun to dominate the skyline of Chinese cities, it was not until the 1980s that high rise housing appeared. Public sector housing in China was built in a different way from the large housing estates of Eastern Europe and no large scale prefabricated factory made panel dwellings were constructed. Housing built before the mid 1980s now generally needs upgrading or rebuilding and redevelopment programmes are a significant feature of work units plans.

THE PROCESS OF REFORM

Housing privatization in China has been adapted to fit a wide agenda and this draws attention to a key feature of the housing reform process: its pragmatic approach. There has been a clear shift from the previous ideologically driven approach and a willingness to adopt reforms associated with market systems. However this has not meant a wholesale shift to a new panacea. Rather there has been a cautious

step by step approach in which new policies are tested and assessed at various locations before being more widely adopted. The initiatives usually begin with statements and experiments as outlined in Figure 9.1. Whilst central government retains control over basic questions, local variations in practice have been encouraged. It is worthwhile reflecting upon the relationship between different levels of government. The Chinese system rests very heavily upon the introduction of regulations set out by the state council and by provinces and cities. However these regulations often run somewhat behind practice. While very clear regulations govern certain areas and especially those in which experience has been developed, other areas of policy are left relatively open and it is in these areas that different cities have adopted different approaches and experimented. The tendency is for government, in the light of the experience gained, to firm up regulations in these grey areas. Experiment then moves to the next grey area. This process explains the apparent anomaly between a highly centralized strong bureaucracy and a tradition of experiment and local variation.

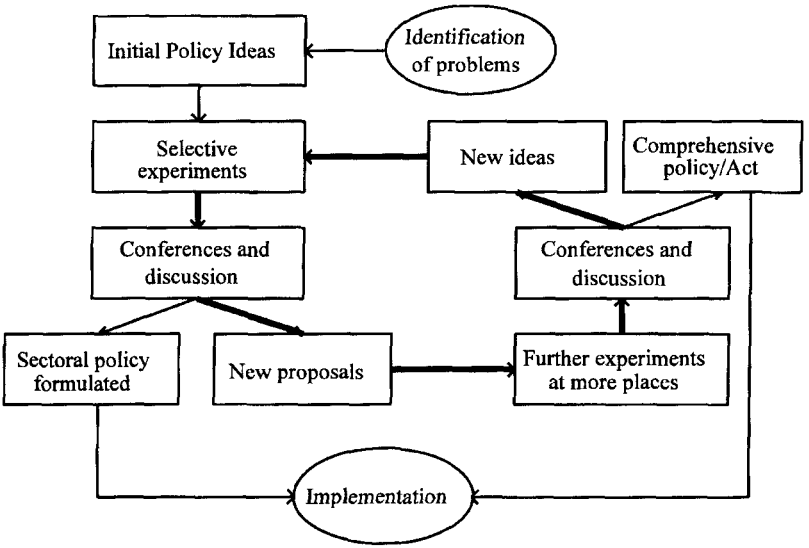

Figure 9.1 The housing policy cycle in China

It is important in all of this to bear in mind the size and variation of circumstances within China. Arguably housing policy and practice are very complicated issues in all countries but in China the size, the

different level of development in regions, the variation in local traditions, all result in a very complex system. In comparison with the changes in European countries China is on different scale. Shortages are not of hundreds or thousands of dwellings but of millions. Investment is not millions of yuan but billions. In this account of housing policy and practice we have referred at various stages to different initiatives taken in different cities and to the different problems and preoccupations of different cities. Issues of overcrowding and urban renewal differ and have resulted in different approaches in Guangzhou, Beijing, Shanghai and Xian. In Shenzhen a new city in a Special Economic Zone, issues associated with the historic areas of older cities are not evident and higher incomes and different patterns of economic development have been compatible with different housing policies. Shanghai has pioneered many of the key housing reform policies and especially the Housing Provident Fund which is so central to the maintenance of investment where the proceeds from sale can not generate as much as in Shenzhen and offer the source of future investment. The baseline position, the pattern of needs and the resources available affect the options and strategies appropriate for different provinces and cities. While the legislative and regulatory framework has determined the direction of reform differences in practice and in local policy remain important.

A key feature of housing reform has been local variation within the broad framework set out by government centrally (Chiu 1994, 1996b). Some of the elements of this variation have been discussed elsewhere in this book. Shenzhen's position as a city in a Special Economic Zone has given it a distinctive task. It has been less concerned with remedying existing housing problems than with building for economic expansion. The approach to housing provision has involved a dominant role for the municipal housing bureau and work units' role in new building has been restricted. Because of higher incomes, sales of properties more nearly yielded sufficient to maintain the circulation of investment and Shenzhen was not enthusiastic or comprehensive in its initial implementation of the housing provident fund – although this changed with firmer central regulation. In contrast Shanghai and Guangzhou placed great importance on the housing provident fund and Shanghai was responsible for developing and introducing this system ahead of regulations. Shanghai also developed different organizational arrangements with a lay committee to guide reform – influenced by the Singapore and Hong Kong experience. Reform in Guangzhou also placed great importance on addressing housing

problems of targeted groups. In the early 1980s, the housing floor space per capita in Guangzhou was the lowest among large cities. After consistent efforts, by the mid 1990s, Guangzhou residents enjoyed the best housing in terms of average floor space per capita. Because of their particular locations and importance in the country, Shanghai, Guangzhou and Beijing experienced large scale expansion of the commercial sector. Reform policies in those cities were required to consider the complex issues related to housing market and finance including the introduction of mortgage services to individual home buyers. In Xian in the inland area policies were more focused on reforming housing provisions in the large public sector. Urban renewal and conservation of the historic central area were also important.

The size and decentralized element in decisionmaking provides more opportunities for experiment. New policies are not tested in a few places but in hundreds of cities. Against this few large cities have the resources and skills to carry out research or to embark upon comparisons with other countries. Other smaller cities tend to follow the example and practice in the large cities. The formula is one which results in a cautious approach avoiding unnecessary social shocks which could lead to instability but results in a slow process of development. The characteristics of the system which emerges are as follows:

- Central legislative powers are very weak.
- Central government controls are limited to general principles and ideological issues, rather than specific practice.
- Local variations are important and are encouraged by central government, especially in the early stages of policy development.
- Local practitioners and officials play important roles in policy testing and refinement.
- Communication between central and local government relies mainly on ministerial speeches, circulars, conference reports and government directives.

THE IMPLICATIONS OF HOUSING REFORM

Housing reform in China has begun to address the issues associated with socialist housing systems: the heavy fiscal and management burden on government, poor living environments, problems of corruption and inequality in distribution, and the lack of individual initiative affecting housing investment. The reforms will affect the nature of

housing problems and the evidence of the volume of output suggests that they will have a significant impact on the most severe housing problems. Market economies have not solved their housing problems and it would be unreasonable to assume that Chinese housing reform will solve all China's problems. Whatever its successes in relation to housing provision itself, the impact of such a dramatic change in patterns of ownership, control and investment of housing is bound to affect other aspects of Chinese society. Housing reform has changed the urban landscape in many cities and towns dramatically (Figure 9.2). Large multi-storey residential estates can now be found in all cities. Even in small county towns modern housing blocks have been built in the last few years. The state is no longer the only investor in housing with considerable investment by work units and individuals. What has received less attention are the wider social and political effects and problems arising from these changes.

Although the fundamental objective of housing reform within the socialist framework has been to improve housing conditions in general, the heart of the reform policy is a more fundamental adjustment of social and economic distribution within the society. The role of providing housing is now shared between the state, work units (both public and private) and individuals and the importance of the state in this has declined. Over time the role of individuals is likely to increase. Housing is being broken off from the distribution system which has dominated China since 1949. Under that system wages have been low because there have been significant payments in kind, including those associated with the provision of housing. As housing moves towards market provision, with increased payment for that provision, so the wages system has to be adjusted to enable people to pay. In the old system urban families waited in the housing queue and improved their housing conditions step by step. With privatization what housing people are in at the time of the reform is crucial. People in good quality apartments will secure their position in those apartments as homeowners. Those who are in less attractive properties at the time of the reform will no longer be able to rely upon the step by step improvement of their circumstances through bureaucratic processes. They, along with people who are seeking to enter the housing market for the first time, will increasingly have to obtain housing through the market. People who have worked in work units which have not been performing well and have not invested substantially in housing, are more likely to live in poorer quality housing. With housing reform their position is not changed. People who have suffered under the old

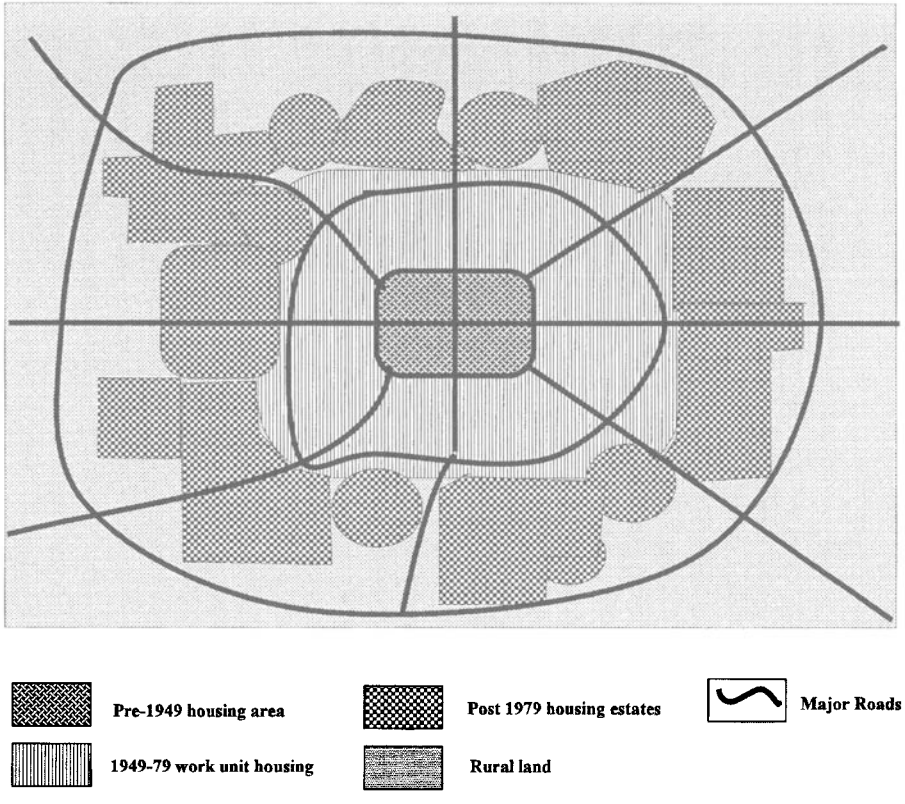

Figure 9.2 An indicative model of land use zones in Chinese cities

system will not find their circumstances changed under the new one. To this extent the housing reform system will reinforce existing inequalities within China, although they will at the same time lift housing conditions, especially at the bottom of the market.

One of the objectives of the reform is to separate housing provision from production and through this, to improve the management efficiency of the production sector. If this is successful and if economic reforms result in higher incomes, then it will enable people to command better housing conditions. To this extent the success of the housing reform programme rests as much on the overall success in developing and expanding the economy as in the detail of housing reform itself.

It is important to recognise the complexities of changing the role of work units. With the increase in the retired population in China every major work unit owned by the government supports a large number of pensioners. As well as providing housing for current and new employees they have continuing obligations towards retired persons. The better quality houses in their residential areas are often occupied by retired, rather than by current employees and the proportion of elderly residents is increasing. The cost of pensions and housing provision for this group has become a major burden on work units. Separating housing and employment is the only logical option. However in a period of transition there will be important readjustments of relationships between individuals and employers and individuals, the government and the party. What is involved is a major social reorganization of urban society.

Although the housing reform is at its initial stage, its social effects will be significant. As government and employers relax their responsibilities in relation to the provision of housing, they also relax key ways in which they exercise control over employees and citizens. In the long term this is hoped to contribute to improved economic performance but it is likely to create short term instabilities in different establishments. Perhaps this will be particularly true in those establishments that do not perform so effectively in a new economic environment. Cities or work units associated with declining industries could face severe problems with a residual population trapped and with no functioning housing market to enable them to move elsewhere. There are bound to be important problems of adjustment in this context. For the government and the Communist Party the control of the urban population will become more difficult in the short term. In the longer term the population will change from one of proletarians and socialist

workers, into petty bourgeois and property owners. What impact this will have on the government is difficult to foresee. A key element is likely to be how far government employees still identify their best interest with the Communist Party and the government and how far the privileged positions which have been secured through housing reform and other processes, will lead such employees to continue to identify with government and the Communist Party. Housing reform, along with the wider process of economic reform involves important changes in the structure of society, the state and the Communist Party. Some commentators will see the direction of reform and adoption of market principles as incompatible with communism. However two important elements must be recognized. Firstly that the reforms were enabling an improvement in housing and living standards, and secondly that they represent part of the evolution or maturation of the communist system. A social welfare approach to housing provision was appropriate for some circumstances but not a necessary element of the continuing agenda. Housing and economic issues could be approached flexibly and pragmatically as means to other ends rather than as fundamental principles or ends in themselves.

Housing reform and privatization will not eliminate housing inequality but will replace one kind of inequality with another. The economic reforms are likely to generate increased inequalities of income. For those in successful parts of the economy,newly built commercial housing will be available at market or subsidized prices. In recent years it has been very common for employers to purchase new commercial housing from developers at a market price and then rent it or sell it at a subsidized price to their employees. The physical link between housing and work place has been broken. This has also changed the urban landscape with an increasing number of large residential estates in peripheral areas. Different standards of design and facilities are available in these estates which include detached and semi-detached houses with gardens. Some of these are very expensive apartments and the tenants are selected on the basis of individual purchasing power or their employers' purchasing power. These changes, as well as the urban renewal programmes which have moved people from central districts to peripheral areas have resulted in new patterns of social segregation and division. The reform will create new social divisions and newly divided cities. In some large cities illegal migrants are concentrated in some areas and form particular local communities arousing concern among original urban residents and local government. The reform eventually involves changing the structure of

communities and cities from one which is work based, to one which is residence based. The pace at which this change takes place is limited by existing institutional ownerships and the pattern of privatization. Privatization is carried out largely within each work unit's residential area. The walls built around these areas are maintained and for example, households which purchase the user right of their dwelling are unlikely to move. Privatization will maintain the existing pattern of segregation in the short term and because of the nature of privatization this may remain the case for a considerable time.

In this debate it is important to recognise that privatization does not confer the same property rights on all citizens. In the middle of the 1990s privatization has not given most residents full property rights but a right to use and inherit the property. Residents are responsible for the maintenance and repair of the property but cannot enjoy the full market value if they seek to sell the property. The sale would either be back to the employer or the employer would be entitled to a proportion of the money raised from the sale of the property. The justification for this is that privatization was subsidized initially by the employer. In contrast to this private houses bought from the commercial sector have full property rights and the purchaser is entitled to sell and benefit from any gain in the market value of properties prior to sale.

These differences create a very complicated property market and this is further complicated by the continuing state ownership of urban land. Commentators on housing privatization in Eastern Europe have indicated that privatization involved an exchange of social status achieved during the Communist era for a real property asset. This could also be true in the Chinese case but the nature of the asset and restrictions on its sale are crucial. For most people the opportunities to purchase are restricted to the property currently occupied. This is a consequence of the previous distribution system which was based on merit and social status. Those who benefited under the previous distribution system will also benefit most from privatization. This is an unavoidable problem in the transition to a market system. For those who are in good housing it presents no problem but those who are at an earlier stage in their work careers and who could have anticipated progressing to better quality housing, find that opportunity is closed down. The pragmatic approach adopted in China has meant that in some cases provision is made to overcome this problem. Even after housing privatization someone who has been promoted to a higher post and would have been entitled to a larger dwelling, may be able to

return the flat that they had purchased to the authority or work unit and purchase a new and bigger house with an increase in their expenditure but also in subsidy. This kind of arrangement indicates a desire to soften the impact of privatization and reduce dissatisfaction associated with it but also has the effect of continuing to delay the progress to a pure market system. In all of this, it is important to recognise that institutions and enterprises are aware of the opportunities created through reform. For example during 1993 when sale prices were very low, many enterprises and institutions tried to speed up the process of privatization of state owned housing so that the managers of the enterprise and other employees could benefit. When the state council changed the system for calculating price to make it less favourable to individual residents, the privatization process slowed down.

Some of the problems associated with housing reform are more immediate ones. The clearest example of this relates to arrangements for maintenance and repair. The sale of properties transfers this responsibility to individual residents. For people with secure jobs and good incomes, this is not a major problem but for most public sector employees building maintenance and repairs could consume a large proportion of family income. There are complaints from some residents that they spent huge amounts of money only to buy the right to repair and maintain their houses. Again there are some attempts to modify this impact. Some institutions and cities provide a service to residents after sale and only charge a proportion of the costs of maintenance and repair. In other cases however, the full responsibility and cost is left with the residents.

Finally, it is important to refer again to issues about agricultural land and the production of food. The calculation involved in housing and economic reform is that it will facilitate a growth of the economy which will enable China to feed itself. However the immediate effect of urban housing development has been to erode the limited supply of good agricultural land and there is some concern over future food production. The government has taken the agricultural land issue very seriously and protection of land from development has been a major issue. Nevertheless urban development has consumed large amounts of good land each year. The urban property boom and improvement in living environment will turn more agricultural land into buildings. Again, the implications are not that housing reform is necessarily damaging but simply that the repercussions of housing reform are complex and ultimately rest upon how effective they are in contributing to a wider economic success story.

THE FUTURE OF HOUSING POLICY AND DEVELOPMENT

In the final section of this chapter and of this book it is appropriate to reflect upon the future of housing reform. In the current economic and political climate, urban property development will continue to be an important growth sector of the Chinese economy. Levels of investment in new housing will continue at a very high level and there will be a gradual improvement in the urban housing stock. The investment in new housing in the future depends on the demand and availability of funds. In terms of demand in the mid 1990s there were still over 4 million urban residents requiring new housing to achieve the targets set by government. With the increased rate of urbanization more people are likely to move to the cities when the demand for housing is likely to be very high for years to come. Government work units and commercial developers will respond to this demand. For government the objective of providing average personal living space of 8 m^2 for existing urban residents by the year 2000 will remain a priority. The availability of funding for this programme will rely heavily on three elements: firstly, direct government subsidy, secondly the savings in the housing provident funds and thirdly, private institutional finance. The balance over time is likely to shift from the former to the latter but in the medium term the housing provident funds hold the key to a successful development of the housing sector.

Privatization and reform are likely to continue to follow the pragmatic approach established in the past. To compete in the international market Chinese industries need to concentrate on production and to separate out housing provision functions. The reform process is likely to continue and to become more complete. What is being created is a privatized housing system, rather than a fully functioning market. The current reform has yet to break through the old institutional framework and to develop a commercial housing market independent of work units. This is still a long way off. In order to combat inflation government still controls salaries and the incomes of most urban residents remain low. To purchase a highly subsidized small flat is possible but not many people can contemplate buying commercial housing.

The privatized housing system which will emerge is one in which there is much more individual control and responsibility but where active exchange of properties on the open market remains relatively small. It may be that the housing market which develops in China will never in general conform to the images of market systems in other

countries. The Chinese housing market will continue to be influenced by the way in which it has been established and the social context in which it operates. This takes us back to debates about the extent to which housing systems are context bound and markets are embedded in the wider social, cultural and institutional environment.

The process of separating housing from production still has a considerable way to go. Following several years of policy dialogue the World Bank, in 1994 funded an enterprise housing and social security reform project in four Chinese cities. The main objectives of this are to de-link housing and welfare services from specific jobs and enterprises and to transfer these responsibilities to newly created institutions. The project aimed to 'commercialize' the State Owned Enterprise (SOE) sector by focusing on their core business operations and divesting the enterprises of non-productive activities. The present social/welfare responsibilities of the employers for their workers were regarded as a barrier to the reform of the sector and alternative, specialized delivery mechanisms were required. The transfer of the housing stock, and its management, to Housing Management Companies (HMCs) would represent a major shift in the administrative burden of the participating SOEs. While the project reflects the Bank's focus on encouraging the housing market to operate, the project design includes many of the essential features to facilitate an emerging housing market: 'the focus on the whole sector and, particularly, the interaction between supply and demand, the removal of market distortions and the need for specialist housing institutions operating at arms-length from government'. The programme is predicated on one major assumption. This is the willingness and ability of the participating SOEs to pay cash wage supplements to match inflation and to meet stepped increases in rents as they rise to reflect full cost recovery. The rental income determines the viability of the HMCs. Only the more successful SOEs were included in the project.

Although this was presented as a comprehensive market-oriented reform model and was regarded as an innovative approach by the Chinese authorities, its effects will not be seen for a long period. The assumption is that by concentrating current housing investment and subsidy on the HMCs more housing will be produced and the administrative burden on enterprises will be reduced. However enterprise housing investments were made over a long period and from various sources in response to urgent housing requirements. It is very difficult for the managers to plan these investment well ahead. Investment and

subsidies in housing are also affected by government policies on employment and salaries. More importantly, a large proportion of State Owned Enterprises are not making profits but run with loans or government subsidies. These enterprises exist for the social benefit of their current employees. To provide a reasonable family income for these employees has been more important than improving housing management. In a similar way the government administrative system and non-profit government institutions have relied on direct government funding for salary increases, rents and housing subsidies. These sectors pose the main obstacles to the progress of housing reform and privatization. Housing provision and management in the successful enterprises, whether state or privately owned, will be much easier to deal with. Shenzhen City Housing Bureau, at the forefront of the housing reform has made great efforts to develop affordable housing mainly for administrators, managers and party officers. Urban land was allocated free of charge to reduce the sale price of housing. This 'privatized' market housing system is very different from the image of the urban housing market in advanced capitalist economies. In China a western style housing market only exists among people employed by private sector enterprises or businesses. At least for the next ten years, government housing policies will focus on providing housing (rent and sale) for the so-called salary earner class (*gong xin jie cen*) or low and middle income groups. These are mainly the public sector professional employees including party and government officers, teachers, researchers, doctors and the police. The real urban poor, unemployed and the temporary residents will not be the main targets for housing because their position is not critical to the wider progress of economic reform.

A key part of the reform programme involves increasing rents. The government target is that rents should amount to around 15 per cent of income in the year 2000. This is reasonable for some but not for those in loss making enterprises. If this level is reached it will still only improve the management of the current system rather than change it into a market one. The second major source of housing investment is the sale of public sector housing. Through these sales it was anticipated that funds would accumulate for future investment. However, highly subsidized sales and discounts have made the snowball disappear very quickly rather than increase. The public sector housing stock is diminishing and funds from this source will diminish. If the government requires low cost housing to provide a safety net for the urban poor in the future, more resources will be required to build

such properties. The key mechanism here is the compulsory savings or provident fund system, which can sustain housing investment in the society as a whole. At the individual level, it is unlikely to enable purchase of commercial housing. For each household, it would take over 50 years to save enough for a subsidized flat at current prices. The price of commercial housing is similar to that in Western cities and it would require several life times for an individual to save enough money to buy through the provident fund.

The Chinese government recognises that a better housing finance system which will provide loans to both property developers and individual home purchasers is essential. However this will take a relatively long time to establish and requires sophisticated legislation to regulate it. It also requires a certain degree of social stability for both the borrower and the lender to make a long term commitment. Traditional Chinese values discourage borrowing large sums. Slow salary increases and the high cost of food and other essentials means that it is almost impossible for the ordinary urban resident to borrow from financial institutions to purchase commercial housing. In the current subsidized privatization, many people still prefer to purchase outright. If some borrowing is necessary, it will be a small proportion of the purchase price and for a relatively short period. A fully commercialized system relies on a substantial growth of family incomes and a major reduction of commercial housing prices. These features are not present now and they are not likely to be in the near future. The majority of urban residents in Chinese cities have no experience of buying a home through borrowing. Social values and attitudes are likely to change only slowly.

Privatization of existing public sector housing must proceed with caution. The current practice of privatization by work unit on a building by building (or flat by flat) basis will create a very cumbersome property ownership system. Once privatized, the future use of the old housing areas which were related to production activities will be very difficult to control. The piecemeal approach without care will create a fragmented residential system. The housing reform authorities should look beyond policy and finance issues and take a strategic view of housing in their cities and of the consequences of changes in ownership. This raises issues about the future role of independent housing management companies or not-for-profit housing associations. It also raises questions about whether some areas should be regrouped to form integrated urban communities by taking out the existing walls built by each work unit and what new facilities should be provided. Is there scope to reform districts and neighbourhoods or develop new

urban villages which would strengthen community links no longer based on the workplace? How much public sector housing needs to be maintained and how will it be managed in the future to provide a safety net to meet emergence and other need? If these questions are not addressed appropriately and privatization is driven solely by economic considerations new housing problems may be created.

Finally government does not intend to remove the differentiation between rural and urban populations in housing provision. Urban/rural segregation and restrictions on migration will be maintained, and urban housing markets will be largely closed to rural migrants. Although this apparently reduces pressure on urban housing it also causes problems. Urban and rural segregation and the advantage enjoyed by urban residents through economic development is the motor for movement from rural to urban areas. The concentration of investment in the economy generally and in housing in particular has always attracted surplus rural labour to the cities. The urban based centralized administrative system means larger settlements have advantages over small settlements. This has resulted in a one way flow of people not only from rural to urban areas, but also from small towns to cities and from smaller regional centres to large cities. This puts great pressure on the housing and other infrastructure provision of large cities. Although the market is formally closed to illegal or temporary newcomers, the expansion of economic activity and recruitment of specialist skills results in a constant growth of urban population. With more than two thirds of the population living in the rural areas, a very small proportion of people moving to the cities has a great impact. It is time for government to reconsider existing policies for urban and rural residents, to both develop a fairer system in the cities, but more importantly to open the huge rural housing and village land reserves to well off or retired urban residents and create some urban to rural return migration. Furthermore with the development of modern electronic industries, business, transportation and communications, not all economic activities need to be concentrated in the cities. Rural and urban integration, using urban households' individual savings to up grade rural living environments, could benefit society as a whole and reduce rural and urban income differences and regional disparities. This would also free urban housing for other groups. This approach could help to solve housing problems in the whole country and adjust the mismatch of housing provision in which rural migrants have homes in villages but no appropriate

accommodation in towns or cities, while many urban residents have accommodation in overcrowded buildings in towns or cities but have no appropriate home. As with housing reform generally changes of this type can proceed continuously and with experiments, but it will be necessary to continue to develop new responses to problems.

Notes

NOTES TO CHAPTER 1

1. Government and academic research on housing in China increased dramatically, which led to the establishment of various research groups or societies and the publication of several major magazines. The most important ones include: *China Housing System Reform Society* organized by the Leading Group of Housing System Reform under the State Council and several other major cities' housing reform offices, which most cities' of housing reform offices are members; *China Real Estate and Housing Studies Association* and its professional magazine *Housing and Real Estate* edited and published by Shenzhen Municipal Housing Bureau and Housing Reform Office. Other academic journals or magazines also publish papers on housing and housing reform. These include *City Planning Review* and its English edition *China City Planning Review* published by China Urban Planning Society, *Urban Problems* published by Beijing Social Science Academy, *Beijing Real Estate* published jointly by Beijing Municipal Housing and Land Management Bureau, Beijing Real Estate Society and Beijing Real Estate Research Institute.

NOTES TO CHAPTER 2

1. CPPCC was organized before the declaration of the establishment of the new government in 1949. It had representatives from the Chinese Communist Party, eight other democratic parties recognized by the communists and different social groups, and played a very important role in the establishment of the government. It still exists and usually hold its conference at about the same time as the National People's Congress.
2. The system used to have a middle tier between the provinces and central government. This was referred to as the Large Administration Region. There were six of these regions: Northeast, North China, East China, Middle and South, Southwest and the Northwest. Each controlled several provinces or autonomous regions. These regional authorities were abolished in 1964 after the Great Leap Forward and they have never been restored. Some organizations have been established to encourage cooperation between provinces, but they are not parts of the formal administration system.
3. The term 'local government' is used in China in two ways. In a broad sense, it means the local authority as a whole which includes the local People's Congress, the Executive body and the judicial bodies – the

courts and the Procuratorate. In the narrow sense, local government refers to the executive bodies only.

4. The Ministry were visited in August 1995. The following discussion is based on interviews with the Director of Department of Real Estate Management.

NOTES TO CHAPTER 3

1. *Linong* housing or lane housing represents the dominant residential form built in Shanghai during the latter part of the nineteenth and early twentieth century. It represents a characteristic from which emerged traditional European row housing and Chinese courtyard style housing. These residences resembled a type of compound where the majority of rooms faced an inner courtyard. Each individual housing unit was arranged into a row or block called *Li*, while the connecting pathway or lane which provided access to each housing unit was called *Long* (Morris, 1994).
2. Chinese housing statistics did not show the number of dwellings because of the use of large number of traditional housing, dormitories and buildings which were not built for housing purpose. Traditional design, family sharing and overcrowding made it difficult to count the number of houses. Housing floor space was (and is still) used to report housing stock and reflect housing condition. Two different kinds of floor space accounting systems were used: **construction floor space** and **living floor space**. The construction floor space included all floor areas and spaces occupied by the outside and inside walls. It was usually used to report total housing floor space, particularly new construction. The living floor space only included the floor areas of the living room and the bedrooms. It did not include the kitchen, the toilet (bathroom if any), the hall, the balcony (if any) and spaces occupied by walls. This is usually used to report living condition for example m^2 of living floor space per person. For old traditional or dormitory style of housing, construction floor space is slightly large than the available living floor space. In purpose built housing the difference was very important. Living floor space could be much smaller than the construction floor space (from one third to a half). This means that current average housing standard based on living floor space actually substantially under estimated the actual living standard in Chinese cities, particularly for those living in new purpose built housing.

NOTE TO CHAPTER 4

1. The Area was visited in September 1995 with Ms Lin, a lecturer from the Centre of Urban and Regional Studies, Zhongshan University,

Guangzhou. The discussion is based on interviews with the directors of the Neighbourhood Committee.

NOTES TO CHAPTER 5

1. The first and the second such Conferences were held in 1962 and 1963.
2. Total enterprise income after the deduction of expenditures. There was no formal taxation system during the Cultural Revolution period.
3. In Chinese government planning public sector investment is divided into three different categories: Capital Construction Investment, Technical Upgrading and Transformation Investment and Other Investment in fixed assets; (i) Capital Construction Investment refers to investment in new projects or an addition to existing facilities for the purposes of enlarging production capacity or improving efficiency. This includes construction of plants, mines, railways, bridges, harbours, water conservation facilities, stores, residential facilities, schools, hospitals and purchase of machinery and equipment, vehicles, ships and planes; (ii) Technical Upgrading and Transformation Investment refers to the investment in projects to renew, modernize or replace existing assets and related supplementary projects; (iii) Other investment in fixed assets refers to investment in fixed assets by state-owned units and valued above 50 000 yuan which are not included in capital construction and technical upgrading and transformation according to the state regulation. (State Statistics Bureau, 1995)
4. Central and local government regulations only allow each family to have one home either at the husband's or the wife's work unit. In most families, the husbands have either a higher post in the office or a longer term of service than the wives, and it is usual to select the husbands' work unit for housing.
5. This information was taken from an unpublished document submitted to the city's Housing Reform Office. All these properties were scheduled to be privatized through the housing reform programme (see Chapter 6).
6. If the walls are thicker than 24 cm, the construction floor space may be increased accordingly.

NOTE TO CHAPTER 7

1. The estate was visited in the afternoon of 19 September 1994. The information here is based on an interview with an officer in the Estate Management Centre.
2. These have been widely published in China include: Huboshanzhuang, Hefei, Anhui Province; Kangle, Shanghai; Zuengbai, Chengdu, Sichuan Province; Fueshanwan, Jinan, Shandong Province; Sifang, Qingdao, Shandong Province; Huongmei, Changzhou, Zhejiang Province; Enjili, Beijing; Lianmeng, Shijiazhuang, Hebai Province.

3. The estate was visited on 19 September 1994. The materials are based on an interview with two officers in the Estate Management Centre and the displayed materials on the office wall.
4. The estate was visited by the authors on 8 September 1995 accompanied by staff from the city housing reform office. The description is based on an interview with the Director of the Estate Management Department and the Secretary of the Owners Association of the estate.
5. The scheme was visited on 5 August 1995.
6. *Hutong* is a northern Chinese term which denotes an urban traditional neighbourhood, and Ju'er Hutong near to the Drum Tower in the north of the Forbidden City is a typical inner neighbourhood in Beijing's Eastern City District.

NOTE TO CHAPTER 8

1. Every hundred households formed a *jia*, with one head of household as its head, and every ten *jia* a *bao*, again with a designated head. Each of these was responsible to those above him in the hierarchy for the conduct of those below him.

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