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# China's Emerging Neoliberal Urbanism: Perspectives from Urban Redevelopment

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**Abstract:** China's urbanization is undergoing profound neoliberal shifts, within which urban redevelopment has emerged in the forefront of neoliberalization. This study aims to understand China's emerging neoliberal urbanism by examining the association between urban redevelopment and neoliberalism. Rather than a deliberate design, neoliberalization in China is a response to multiple difficulties/crises and the desire for rapid development. The neoliberalization process is full of controversies and inconsistencies, which involve conflicts between neoliberal practices and social resistance, and tensions between central and local states. Nevertheless, China's neoliberal urbanism has a responsive and resilient system to cope with the contradictions and imbalances inherent in neoliberalism. Meanwhile, neoliberal urbanism is more tangible at the sub-national scale, since the local state can most effectively assist neoliberal experiments and manage crises. This study not only contributes to the understanding of China's neoliberal urbanism, but also has multiple implications for neoliberalism studies in general. First, in examining the interrelationship between the state and market, it is the actual effect of legitimizing and facilitating market operation rather than the presence (or absence) of the state that matters. Second, a new nexus of governance has formed in the neoliberalization process. Not only the nation state but also the local state is of great significance in assisting and managing neoliberal projects. Third, this study further validates the importance and necessity of scrutinizing neoliberal practices, in particular the controversies and inconsistencies within the neoliberalization process.

**Keywords:** China, neoliberalism, urbanization, urban redevelopment, the state

## Introduction

As a pervasive form of capitalist globalization, neoliberalism can be viewed as the restructuring of the relationship between capital and the state, which rationalizes and promotes a "growth-first" approach to urban development. Neoliberalism is best understood as "a complex and contested set of processes comprised of diverse policies, practices and discourses" (Perreault and Martin 2005:194). It is argued that the process of market-driven socio-spatial transformation, namely "actually existing

neoliberalism”, rather than the pure definition of the political economy of neoliberal restructuring, deserves more in-depth research (Brenner and Theodore 2002; Peck 2004; Peck and Tickell 1994, 2002). Actually existing neoliberalism is multiple and contradictory rather than singular and consistent (Larner 2003; Peck 2004; Wilson 2004). It thus offers a useful and influential research framework to interpret how global and national political–economic transformation affects the production and reproduction of urban space. As major arenas for market competition and economic growth, cities have become increasingly important geographical targets and institutional laboratories for various neoliberal experiments, eg place-making, urban development corporations, public–private partnerships, new forms of local boosterism, and property-led redevelopment (Brenner and Theodore 2002; Smith 2002; Taylor 1995). These new elements thus give birth to emerging neoliberal urbanism, and create spaces of neoliberalism involving drastic socio-economic and spatial changes (Brenner and Theodore 2002). Among these changes, urban redevelopment has become an important component of spatialized capital accumulation. Increasingly neoliberalized urban redevelopment eagerly pursues private investment and value extraction, and thus has a preference for seeking short-term returns from subsidized real estate investment (Smith 2002; Weber 2002).

Offering an operating framework for competitive globalization, state restructuring and rescaling across a wide range of national and local contexts, the accumulation strategy and market-oriented approaches of neoliberalism not only prevail in its heartlands, North America and Western Europe, but also intensively affect urban policies and practices in developing countries (Peck and Tickell 2002). It is claimed that the Third World has entered the “second age” within the post-Cold War era of neoliberal globalization, which is characterized by “its re-entry into the protracted process of primitive accumulation” (Moore 2004:87). Since the ideology of neoliberalism has extended its influence from developed capitalist countries to the rest of the world, different countries have experienced their own path-dependent political economic transformations. For instance, exploration of the spaces of neoliberalism in East Asia (eg Japan, Korea and Taiwan) illustrates a process of state restructuring in response to the influence of neoliberalism, and the emergence of a hybridity of “developmental neoliberalism” in urban policy (see Choi 2005; Chu 2002; Mizuoka 2005). Studies on “China’s engagement with neoliberalism” and “neoliberalism with Chinese characteristics” offer an understanding of the interplay between powerful capitalist globalization and inherited institutional infrastructures in China (see Harvey 2005; Liew 2005; Wu 2008).

As market-oriented reforms are introduced in urban China, the power of the market rather than the once omnipotent state is significantly

reshaping urban landscapes. Against the backdrop of globalization and market transition, intense competition and widened cooperation, conflicts and compromises between different interest groups coexist in urban China. These contradictory practices and interests all serve the goal of growth. Bringing visible physical improvement and rapid economic development, the burgeoning real estate industry has become a shortcut to growth and excels other rivals in fierce competition (Zhang 2005). The local state and enterprises have jointly endeavoured to promote rapid urban (re)development, which is strongly based on real estate development (He and Wu 2005). The elements of neoliberalization, eg privatization and commodification, drastic inter- and intra-urban competition and radical urban socio-spatial transformation, are emerging in China. Evidently, self-driven neoliberalism has penetrated urban China. Although the myth of neoliberalism creating continuous growth is still in question, it is true that neoliberal shifts have fundamentally restructured the regulatory–institutional architecture and urban spatial structure in China. More importantly, a new mode of urbanization, namely neoliberal urbanization, is emerging, characterized by the renaissance of urbanism and a rapid process of urban-centred wealth accumulation. Given the importance of cities and urban-driving economic growth in neoliberal experiments, this study investigates emerging neoliberal urbanism in China, in particular market-driven socio-spatial transformation in the realm of urban redevelopment. Specifically, this study focuses on the recasting of state power at different levels and its multi-scalar interactions with emerging market-oriented practices. This study discusses national changes in general, while considering particular cases with a special reference to Shanghai, the largest and most developed city in China.

The second section examines neoliberal shifts and the changing approach of urban redevelopment in the context of market-oriented reforms, revealing how neoliberal urbanization evolves and works in a pre-mature market framework. The third section illustrates the contradictions associated with neoliberalism through examining tensions and conflicts within urban redevelopment practices in both horizontal and vertical dimensions. The fourth section conceptualizes the characteristics of China's emerging neoliberal urbanism. The fifth section concludes and discusses the implications of China's case for neoliberalism studies.

## **Neoliberal Shifts and a New Approach to Urban Redevelopment**

To cope with the problems of economic stagnancy and dilapidated urban appearance after the devastating 10 years of the Cultural Revolution (1966–1976), a series of market-oriented reforms in all

aspects has been carried out in China since 1978. Various forms of state restructuring and institutional reconstitution were implemented to introduce and institutionalize neoliberal urbanization. Among these changes, the rescaling of the state, or the so-called “glocalization” of state responsibilities (see Brenner 1998; Swyngedouw 1997, 2000), in particular the process of decision-making shifting downward to local state authorities, is one of the most important neoliberal shifts. Furthermore, commodification and privatization also have key roles in creating a new mode of regulation within the process of neoliberal urbanization, which simultaneously reduces the costs of providing public services and provides new sources of capital accumulation for the private sector. In the Chinese context, it was land and housing reform that made possible the commodification of urban land and housing and the privatization of public service provision, eg public housing provision. As a result of these multiple neoliberal shifts, a regime of capital accumulation has formed to facilitate economic and urban growth: from an egalitarian society characterized by low production, low wages, high state welfare provision, and high state expenditure to a marketized society characterized by mass production, higher wages, lower state welfare provision, and lower state expenditure. This section, therefore, analyses neoliberal shifts in the Chinese context and the emergence of a new approach to urban redevelopment, through scrutinizing the processes of decentralization, land and housing reform.

### **Decentralization and the Rescaling of the State**

Since the “open door” policy was put into practice in 1978, a series of institutional reforms have been implemented in China to convey the transition from a centrally planned economy to a market economy. Two tasks were central to the market-oriented reforms: first to create new incentives at the sub-national level to increase efficiency and production; and second to transfer the development pressure confronted by the central state to the lower levels of the state apparatus (Wu 2002). In 1994, to cope with the trend of fiscal decline, the central state replaced the previous revenue-sharing system with a tax-sharing system. The revenue-sharing system was a highly redistributive system, transferring intergovernmental revenues to balance yielded revenue and permitted local expenditure. As a result, industrial regions remitted high proportions of their revenues, and agricultural and natural resource-producing regions received large transfers. Under the tax-sharing system, revenues were reassigned between the central and local governments. For instance, VAT was shared at the fixed rate of 75% for the central government, and 25% for local governments. The central government also committed to rebate each province an amount equal to the reduction in the local tax base, and to permit each province to share in

the growth of its “lost” tax base over time (Wong 2000). The tax-sharing system introduced a central–local fiscal contract, and effectively started the decentralization of state power (Zhang 1999). Decentralization is a central element of the neoliberalizing process, since it results in the rescaling of the state and the emergence of competitive sub-national spaces through which expanded capital accumulation can be generated (Brenner 1998; MacLeod and Goodwin 1999; Perreault and Martin 2005). As a consequence of fiscal decentralization, the proportion of revenue that is under local control increased. Local governments have gained more discretion to arrange investment and promote local growth. Fiscal system reform provides great financial stimulation to the local state and invigorates it to maximize its interest as an enterprise does. This has been discussed under “local state corporatism” (Oi 1999), “local governments as industrial firms” (Walder 1995), and “entrepreneurial government” (Duckett 2001). As David Harvey (1989) contends, the rise of the entrepreneurial city was due to the shift from managerialism, which was concerned with the allocation of resources, to entrepreneurialism, which encourages the use of private capital in urban development. Similar to the transition of western cities in late capitalism, such a shift in China was driven by fiscal decentralization and economic globalization.

The dismantling of the state command system is undeniable. However, it would be too simplistic to understand the economic reform as a total retreat of state power from economic and social life. The state apparatus abandoned the direct allocation of production materials, capital, land, and to a lesser extent, the workforce, while consolidating its regulatory power at the levels of localities. As Zhang (1999:140–141) stated, “[a] limiting and weakening of the state, or indeed the central, the burgeoning but disparate public finance suggests a state that is still immensely prevalent, but with a dispersed resource structure”. As a result of a series of policy initiatives, localities have emerged as economic as well as political entities. For instance, the enactment of the City Planning Act in 1989 gave the municipality the right to prepare urban plans, to issue land use and building permits, and to enforce development control. Even projects launched by central government must apply for land use permission from local government before the project can be funded. In addition, the local land administration bureau issues land-leasing certificates for every plot of land obtained through the market. These measures have laid the legislative foundation for local state power. Municipalities now have substantial power in regulating local development. Their role has changed from a complementary one that supported state projects to a more proactive one that makes the local development strategy. In other words, municipalities are now capable of using various methods to mobilize resources and attract investment.

The relationship between municipal government and local district government is also changing. The role of the urban district was peripheral in the era of state socialism, due to limited resources and administrative capacities. The dominant role of state work units as the basic unit of societal organization overshadowed that of the district governments. After the implementation of fiscal contracts and land leasing, urban districts became important in terms of organizing land development. Further, the municipality, confronted by the increasing pressure of revenue mobilization, signed “contracts” with district governments. For instance, since 1990, districts of the Shanghai metropolitan area have gained a whole array of administrative powers, including planning, public works maintenance, approval of local foreign trade and commercial administration. In 1996, the framework of governance was developed into “two levels government, three levels administration”, referring to municipal and district governments, municipal, district and sub-district administration. Since then, urban districts have undertaken important functions in development finance and land development. With district governments’ decision-making power increasing, they are also undertaking more responsibility. The empowerment of district governments has stimulated their motivation to make profits through urban (re)development. Meanwhile, high pressure from municipal government and drastic competition between different districts also push them to increase revenue by all possible means. Therefore, local government, in the case of Shanghai especially the district government, has endeavoured to mobilize national and global forces to promote urban (re)development through a market-oriented approach, ie land leasing and real estate development.

## **Land and Housing Reform**

In constituting new institutions towards a market economy, the state has endeavoured to create optimal conditions for capital accumulation, which makes it possible to implement neoliberal urban projects. However, rather than a deliberate design for neoliberalization, market reforms in China are a response to multiple difficulties/crises and the desire for rapid development. Among a series of reforms launched by the state, land and housing reform plays an important role in China’s neoliberal urbanization.

Before land reform was launched in the late 1980s, urban land was allocated to government organizations or work units free of charge. Additional free land was offered by local governments to work units as a subsidy to facilitate urban redevelopment. The free land allocation system resulted in low efficiency and financial deficiency in urban redevelopment. The motivation for land reform was initially in response to the urgent demand for urban redevelopment and the financial crisis associated with state-owned enterprise reform. Shanghai

was the first city to implement land reform in China. In 1987, the Shanghai municipal government published China's first regulation allowing developers to obtain the use rights of urban land plots within a certain period. By paying land-leasing charges and land use fees to the government, developers could also transfer the land use rights they obtained according to the regulation (Dowall 1993; Yeh and Wu 1996). Two years later, the State Council further normalized the land-leasing system by setting up basic regulations for land leasing and land transfer (homepage of the Ministry of Construction PR China: <http://www.cin.gov.cn/law>). Land leasing was soon implemented in redevelopment projects. In January 1992, the contract for the first redevelopment project through land leasing in Shanghai, namely "Haihua Garden", was signed by the Shanghai Urban Housing and Land Resources Management Bureau and a foreign-invested enterprise, the China Overseas Construction Company (Shanghai Construction Editorial Board 1996). This redevelopment project effectively resolved the problem of financial deficiency, and hence was replicated in many other places. Thereupon, real estate investors and developers, both domestic and from overseas (mainly from East Asia), began to actively participate in the land market and urban redevelopment projects, especially in developed eastern coastal areas. The land leasing system opened opportunities for land market development and has created a new revenue source for local government. In some places, land-related revenue can account for up to 60% of total local fiscal income (Ding 2007).

Housing reform is another important neoliberal shift, introducing housing commodification and the privatization of public housing provision services. Until the end of the 1980s, average housing conditions in most Chinese cities were still very wretched. This was the result of financial deficiency and the longstanding lack of maintenance and redevelopment. Free housing allocation and the low rent public housing system were blamed for this severe situation, and reforms were urgently needed (Wang and Murie 1996; Zhang 2000). Transforming housing provision from work-unit allocation to market provision and increasing home ownership are the major objectives of housing reform. In 1988, the State Council issued a scheme of housing system reform, which discarded the government housing allocation system and encouraged private housing ownership. Soon after, a housing provident fund system was first developed in Shanghai, and then spread to other cities. The idea of the housing provident fund was to ensure that both employers and employees in the public sector made a monthly contribution to employees' saving accounts for housing purposes (Wang 2001). This system helps to shift housing provision from government and employers to the market, which is an important step in the privatization of public services. In 1998, the housing monetarization

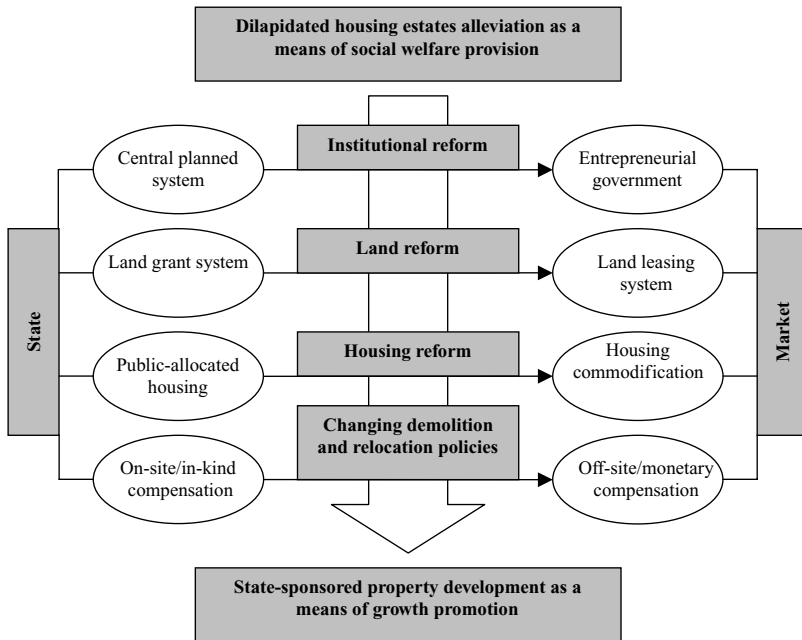
policy (HMP) was launched to replace the longstanding in-kind housing subsidy under the old welfare housing system. The policy aims to provide employees with cash subsidies as part of their wage package to enable them to buy or rent their homes through the market.

Privatizing public housing, ie selling houses owned by local housing authorities or work units to individuals, is also an important component of housing reform. In 1999, the Ministry of Construction published a document for the privatization of public housing. The document specified that “all public housing owned by the local housing authority, except those being recognized as unsuitable for sale, e.g. historical housing, seriously dilapidated housing, and housing within office complexes, should be sold to sitting tenants who wish to purchase it; housing owned by individual work units, in principle, should be sold to employees who wish to purchase it” (homepage of the Ministry of Construction PR China: <http://www.cin.gov.cn/law>). By the end of 2006, more than 40% of housing in Shanghai was privatized public housing, taking up about 55% of Shanghai's private housing stock (Shanghai Statistical Bureau 2007). Meanwhile, the second and third housing markets had also developed and significantly contributed to the increase of home ownership in Chinese cities. According to the Shanghai statistical yearbook, by the end of 2006 the percentage of home ownership had reached 74.1%, while the actual figure is believed to be even higher. Housing reform has been successful in increasing home ownership on the one hand, while it has led to increasing housing inequalities, urban poverty, greater social polarization and spatial segregation on the other (Lee and Zhu 2006).

## **A New Approach to Urban Redevelopment**

As clearly shown in the above analysis, the growth-first strategy of neoliberalism resonates in urban China. In advanced capitalist countries, neoliberal restructuring projects of the last two decades have deeply reworked the institutional infrastructures upon which Fordist-Keynesian capitalism was grounded. In China, a new mode of regulation facilitating capital accumulation has formed in the burgeoning market economy. Inherited institutions have been reconstituted to open up opportunities for neoliberal projects. Triggering rapid economic growth and bringing tremendous changes to urban landscapes, urban redevelopment has come to be in the forefront of China's emerging neoliberal urbanization. Since the late 1980s and the early 1990s, land and housing reform has facilitated the development of a real estate market (Ding and Knaap 2005), significantly boosting a new approach to urban redevelopment characterized by heavy private investment. As an effective means of capital accumulation, real estate development offers a potent driving force for urban redevelopment. According to the Shanghai statistical





**Figure 1:** Changing urban redevelopment approach under political economic reforms

yearbook, in 2006 127.6 billion Yuan (about 17.2 billion US dollars), equivalent to 12.3% of the city's GDP, were invested in Shanghai's real estate market. Since private investment was first introduced into urban redevelopment in 1992, more than 710 million m<sup>2</sup> of buildings have been demolished and redeveloped; more than 925,000 households had been relocated in Shanghai by the end of 2006 (Shanghai Statistical Bureau 2007).

The state, especially the local state, is no longer a social welfare provider. With the active involvement of the private sector, urban redevelopment, which used to be the obligation of the state, has now been transferred to the pre-mature market. Figure 1 shows how neoliberal shifts result in the changing rationale of and approach to urban redevelopment. A series of market-oriented reforms have significantly changed the urban redevelopment approach in China: administrative and fiscal decentralization empowers the local state with stronger decision-making rights and creates entrepreneurial government; the adoption of the land-leasing system and housing commodification facilitates the development of the real estate market; and changing demolition and relocation policies mark the marketization of the redevelopment process. To accelerate urban and economic growth, the state introduced market operation. Meanwhile, the state maintains an interventionist role within the process of urban redevelopment by sponsoring private property

development and regulating market operation. Although remaining a pre-mature market system, the institutional framework in China has been profoundly reshaped. A regime of capital accumulation, which largely rests on land development and private investment, has been developed to optimize economic and urban growth. Within the interaction between the state and the market, the rationale of urban redevelopment in China has changed from the alleviation of dilapidated housing estates as a means of social welfare provision to state-sponsored property development as a means of growth promotion.

### **Contradictions within Neoliberal Urban Redevelopment Practices**

Although neoliberalism around the world shares an underlying logic, the form of neoliberalization never replicates, reflecting the struggles and contradictions embedded in specific local contexts within its evolving trajectory. Indeed, neoliberalism is characterized by inherent inconsistencies and contradictions in institutional arrangements, since neoliberal state restructuring is never a smooth transition (Tickell and Peck 1995). As Painter (2002:104) contends, “if the transition (to a private sector post-Fordist future) does occur, it will have been highly uneven, partial and in some places, bitterly contested”. Neoliberal hegemony may be countered by formidable social mobilization, or hampered by weak governance (Perreault and Martin 2005). As such, Brenner and Theodore (2002:349) suggest that “an adequate understanding of actually existing neoliberalism must therefore explore the path-dependent, contextually specific interactions between inherited regulatory landscapes and emergent neoliberal, market-oriented restructuring projects at a broad range of geographical scales”. This section therefore attempts to understand the neoliberalization of urban redevelopment as a highly contradictory and hybrid process by showing the interactions and contradictions between different institutional actors in both horizontal and vertical dimensions. Horizontal tensions are generated from interactions between emergent neoliberal practices and social resistance, while vertical tensions are created between the central and local states. These contradictions in horizontal and vertical directions are interwoven to create the peculiar fabric of neoliberalization in China.

### **Tensions between Neoliberal Practices and Social Resistance**

The tensions between neoliberal practices and social resistance are most tangible in the process of housing demolition and relocation associated with urban redevelopment. On the one hand, the state attempts to

liberalize the urban redevelopment process by transferring it into market operation. On the other, these neoliberal practices contradict affected residents' interests and are hampered by social resistance.

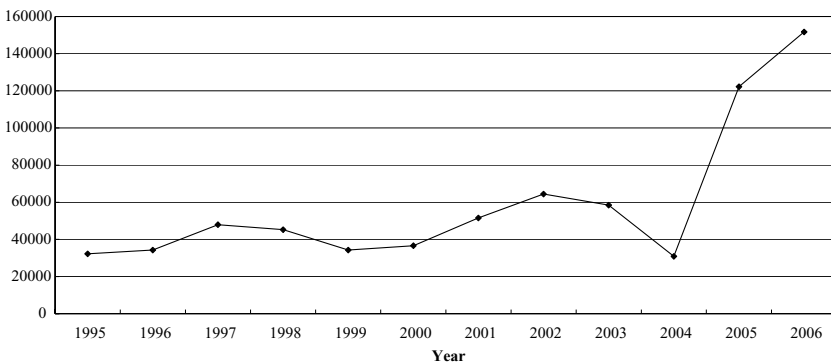
Before the 1990s, most redevelopment projects adopted on-site relocation, except for infrastructure construction projects and commodity housing development strategy. With redevelopment projects and private developers' involvement increasing, the shortcomings of on-site relocation emerged. The requirement for providing temporary housing and on-site housing allocation to residents was considered to have greatly impaired the feasibility of redevelopment projects (Dowall 1994). Therefore, on-site relocation became no longer a compulsory requirement for redevelopment projects. By adopting off-site relocation, developers can develop high value-added property on the original site to obtain high profits. The progress of urban redevelopment has thus speeded up since this happened (Wu 2004). According to the first regulation on urban housing demolition and relocation published by the State Council in 1991, developers were required to provide in-kind compensation, ie offering houses for affected residents. Soon after, in-kind compensation was considered ineffective for redevelopment by developers and the state, as it is time-consuming and provokes arguments when residents are not satisfied with their relocated houses. Moreover, as the progress of redevelopment speeds up, resettlement housing becomes increasingly deficient and expensive. In 2001, a revised regulation on urban housing demolition and relocation was published to encourage monetary compensation rather than in-kind compensation (homepage of the Ministry of Construction PR China: <http://www.cin.gov.cn/law>). The adoption of monetary compensation aimed to increase the feasibility of urban redevelopment and provide more housing choices. This also reflects the state's attempts to transfer redevelopment into market operations. Nevertheless, this new policy emphasizes economic efficiency and developers' interests over social equity and residents' interests. After the adoption of monetary compensation, it has become more and more difficult for low-income residents to obtain home ownership, since compensation standards are disproportionate to rising housing prices.

The new policy introduced a neoliberalizing process into urban redevelopment by optimizing conditions for private sector development and capital accumulation. However, social conflicts caused by overheated redevelopment made the state hold back the pace of neoliberal urbanization. In 2003, conflicts of demolition and relocation became extremely acute. Tens of thousands of people appealed to municipal and central governments over unfair housing compensation and violent relocation. Protests, violent conflicts and suicides occurred. In many places, conflicts between affected residents and demolition companies and developers have become the most frequent and severe

social problem. According to an interview with an old lady at a demolition site in Shanghai, the demolition company (a semi-public organization) tried to stop people appealing and even took revenge on those who refused to vacate the demolition site and appealed to central government about unreasonable compensation. The old lady was threatened with moving as soon as possible or otherwise being evicted, and her daughter and son in law were arrested after several attempts to appeal (personal interview, 7 April 2004).

Thereupon, resolving conflicts caused by the rapid urban redevelopment became an urgent task for both the central government and local governments. From late 2003, the State Council and the Ministry of Construction started to pay attention to the regulation of urban redevelopment and to protecting the interests of affected residents and work units. Ordinances were published to prohibit enforced demolition, requiring that affected residents should be offered reasonable compensation and kept well informed throughout the demolition and relocation process. These policies addressed social equality and the interests of affected residents, and temporarily slowed down the pace of urban redevelopment. Nevertheless, slowing down the redevelopment pace did not mean the state was giving up the goal of growth first. On the contrary, it is just a means to tackle the handicaps of neoliberal urbanization and pursue rapid urban growth. Figure 2 shows the changing amount of buildings that have been redeveloped in Shanghai between 1995 and 2006. Although the amount of redevelopment decreased somewhat in 2003 and 2004 when social resistance arose, it rocketed dramatically right after 2004.

The neoliberalization of urban redevelopment is self-evident. Even the slogan “harmonious society” (*hexie shehui*) introduced by the new Chairman, Hu Jintao, does not really change the nature of



**Figure 2:** Changing redevelopment amount in Shanghai (1995–2006) (unit: 1000 m<sup>2</sup>) (source: Shanghai Statistical Bureau 2007)

China's urbanization. Resistance went quiet for a period of time, since affected residents had been offered a better deal to vacate their land. However, making room for high value-added investment and development rather than building better housing for the original residents is still the ultimate goal of urban redevelopment. Hidden conflicts still exist, as housing affordability and residential differentiation are becoming severe problems accompanying rapid urban (re)development. Environmental and social harmonies touted by the "harmonious society" ideology, again, are only a device to alleviate the inherent tensions and controversies of neoliberalism.

### **Tensions between Central and Local Governments**

In China, land reform is the most dynamic and controversial field of market reform, since the land market has become the battlefield between different interest groups. Tensions between central and local governments, therefore, can be best illustrated in the process of land (re)development. Since land reform was initiated in the late 1980s, the marketization of land institutions in China has seen twists and turns (Ding and Knaap 2005; Li 1999). The land-leasing method is one of the most controversial issues within land reform. According to the ordinance published by central government, real estate developers can obtain urban land use rights through negotiation, bidding, and auction. However, until the early 2000s, land leasing through negotiation took up a great proportion, which inevitably resulted in inefficient land use and corruption. Since 1999, both central government and local governments have endeavoured to diminish the negotiation approach to land leasing by publishing a series of ordinances. For instance, in 2002 the Ministry of Land and Resources announced that land leasing for the purposes of running a business, ie commercial, tourism, recreation, financial, service and commodity housing, must adopt bidding, auction, or other methods of open transaction (homepage of the Ministry of Construction PR China: <http://www.cin.gov.cn/law>). However, this ordinance was bypassed or redirected by local governments using various excuses. For instance, the Shanghai municipality still leased land to state-owned enterprises, to so-called "significant urban redevelopment projects" and to infrastructure projects through negotiation after 2002.

By leasing land through negotiation, the local state can actually make reciprocal deals with developers and attract more investment to promote local development. Therefore, local governments, especially district governments, are very reluctant to abandon the negotiation approach to land leasing for business projects. Since the requirement for public bidding and auction normally increases the land-leasing cost by 30–50%, district governments try to help real estate developers bypass the policy. In 2003, the Shanghai municipal government published a

document requiring that land leasing for all redevelopment projects, including those important projects proposed by the government, must adopt open bidding or auction (homepage of Shanghai Housing and Land Resources Administration Bureau: <http://www.shfdz.gov.cn/zcfg>). However, before this announcement was officially published, many district governments swiftly leased out most of the available urban land through negotiation. Many developers also managed to change the land use from non-business purposes to business purposes after they had obtained the land use rights at comparatively low cost through negotiation. In order to fundamentally stop improper land leasing through negotiation, the Ministry of Land and Resources and the Ministry of Audit jointly published an “ultimatum” in March 2004, which required that before 31 August 2004 all of the lingering problems concerning land leasing through negotiation must be solved. The date set by the central government was supposed to be the deadline for improper land leasing through negotiation, and for speculative and corrupt practices in real estate development. Nevertheless, despite the endeavours of central government, the problems of revenue loss, inefficient land use and corruption caused by negotiated land leasing do not seem to be easily solvable in the short term. Basically, it is a battle between the central government, which aims to regulate land markets towards rational development, and local governments, especially district governments and individual government officers, who pursue aggressive development through deregulation and removing supply-side constraints. At the national level, the state attempts to implement prudential market-oriented reforms based on trial and error experiments. However, at the local level, the state is parallel to its western counterparts, which seek short-term returns and visible achievements through implementing the creative destruction of institutional arrangements and extracting value from urban redevelopment. Therefore, it should be noted that the neoliberalization of urban redevelopment does not come easily in the Chinese context, which is the result of bitter contests between different tiers of government.

## China's Emerging Neoliberal Urbanism

### *A Steady Though Moderate and Hidden Form of Neoliberalization*

Despite the fact that the original neoliberal ideology excludes any form of state intervention, studies on actually existing neoliberalism emphasize the role of the state in creating the optimal conditions for market operation, particularly in the “roll out” era of neoliberalism (Brenner and Theodore 2002; Peck 2004; Peck and Tickell 1994, 2002).

Evolving from a non-market system, the neoliberalizing process in China inevitably involves lots of contradictions and inconsistencies, within which a strong state presence is expected. The state actually skips the “roll-back” era and always plays an interventionist role in the neoliberalizing process. Although no longer widely involved in local development, the state still struggles to complement market operations. Instead of entirely resting on market logic, the institutional transformations happening in China, eg decentralization, empowerment and localism, are not intended to diminish the role of the state, but rather to foster market operations through providing necessary governmental services and supports. As the legacies of the centrally planned economy remain in the gradualist market-oriented reforms, urban redevelopment in China is actually following a mixture of market logic and state authority logic. Only the parts of existing institutional arrangements that do not touch upon the fundamental essentials of public ownership are “creatively destroyed”. In the sphere of land reform, the state maintains its control over urban land development by transferring land use rights to private developers while retaining the public ownership of urban land. Similarly, within the housing privatization process, many homeowners are granted only the use rights but not the legal rights to their houses (Song, Knaap and Ding 2005). Even after housing reform, the impact of government and work units on housing provision is still apparent (Huang 2004; Li 2004). Demolition and relocation policies also swing between assisting and restraining rapid urban redevelopment. The state still has profound influence on the nascent land and housing markets through adjusting land and financial policies. Through controlling urban land ownership, the state actually gets hold of the most valuable resources, and hence accumulates vast sums of wealth. It can be argued that China’s neoliberal urbanization optimizes market operations and maximizes the interest of the state-led regime of accumulation. The state creates conditions for market operations, and meanwhile manages the controversies created by the market to maintain a durable means of wealth accumulation. Although the form and pace of neoliberalism may be uncertain, the direction towards neoliberalized economic growth is steady, and the neoliberalization of urban redevelopment is irreversible.

Nevertheless, due to unique historical, cultural and political-economic settings, neoliberal shifts in China’s urbanization are moderate and hidden rather than straightforward. At the Fourteenth National Congress of the Chinese Communist Party (CCP) held in 1992, the idea of “developing a socialist market economy with Chinese characteristics” proposed by Chairman Deng Xiaoping was first designated as the leading strategy of the CCP. This means that economic and urban growth is the ultimate goal of the new regime, while maintaining social consensus and stability are also important tasks of the party state, namely “neo-liberalism with Chinese characteristics” (Harvey 2005).

To balance multiple needs, the party state is tracking a tortuous road to growth. In other words, the state does not always directly assist radical urban growth, because maintaining the new regime of accumulation and retaining social consensus and stability are underlying principles. When the tensions between neoliberal practices and social resistance are intensified, the state temporarily eases radical neoliberal progress and disguises the growth-first strategy. As the mode of regulation is not threatened by the various contradictions and tensions generated by neoliberalization per se, neoliberal experiments continue. Therefore, China's neoliberal urbanization is in a moderate and hidden form. However, what can be deduced from this is striking. This means that neoliberalism with Chinese characteristics has a very responsive and resilient system to tackle the intrinsic problems of neoliberalism, such as market failure, uneven development, social inequality and citizen opposition.

### *Different Levels of Engagement with Neoliberalism*

The above analysis of China's neoliberal urbanization reveals a "top-down" process, within which the central state initiates neoliberal reforms and the local state follows up. However, this does not mean that neoliberal urbanization proceeds in a less active way at the local level. After administrative and fiscal decentralization, the central government, provincial governments, municipal governments, and district governments have their different shares of responsibilities and interests in urban redevelopment. Their development strategies and their interactions with the market are different. Therefore, different levels of government in China actually have different degrees of engagement with neoliberalism. As the share of responsibilities and interests in urban redevelopment increases, the degree of engagement with neoliberalism increases too.

After decentralization, the central state no longer directly allocates capital and resources to support local (re)development. Accordingly, the central state has a smaller share of (re)development interests. Withdrawing from direct participation in the local development business, the responsibility of the central state is to constitute development strategies and policies to direct and assist local (re)development. From the early 1990s, the central state launched a series of market-oriented reforms, and hence initiated the neoliberalization of urban redevelopment. As the real estate market became overheated and social conflicts within urban redevelopment were exacerbated, the central state employed various measures to regulate the market and slow down neoliberal urbanization. Seemingly, neoliberalization at the central state level is inadequate and inconsistent. In fact, the state is facing the contradictory needs of maintaining its dominant authority and social consensus on the one



hand, and securing conditions for capital accumulation on the other. As mentioned before, to balance its multiple needs, the central state has to introduce a moderate and hidden form of neoliberalization. Therefore, the central government's engagement with neoliberalism is only a "loose hug rather than an intimate embrace" (Liew 2005:331).

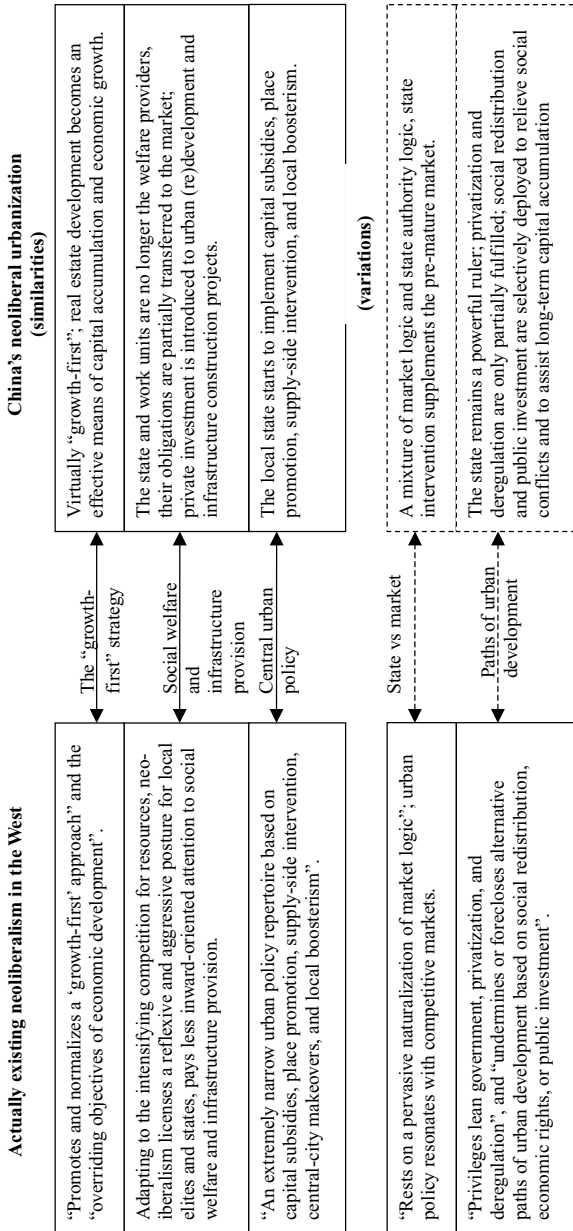
To examine the local state's engagement with neoliberalism, we take Shanghai as an example. In the post-reform era, the Shanghai municipal government has made every effort to promote rapid urban redevelopment through state-subsidized property development. To facilitate large-scale redevelopment projects, the municipal government has made policy interventions and employed economic levers to attract private investment and encourage real estate development. For instance, to facilitate redevelopment projects along both sides of the Huangpu River, a major waterway in Shanghai, in particular the redevelopment project for the 2010 Shanghai EXPO, the municipal government actively acted as a sponsor and partner of private developers by offering supply-side subsidies and favourable policies for land acquisition, demolition and relocation. Since the progress of (re)development is directly related to local revenue, the city's place in the urban hierarchy, and the political and economic interests of government officers, the municipal government is highly motivated to make space for market operations and neoliberal programmes. Existing institutions are often creatively reconstituted at the local state level to optimize market operations. For instance, the first steps in land reform and housing reform were taken in Shanghai. The Shanghai municipality also partially exempted land-leasing charges for private developers and subsidized large-scale redevelopment schemes. Neoliberal urbanization at the municipal level therefore proceeds in a more intensive way. However, subjected to the direct administration of central government, and the particular Chinese political appointment system, the municipal government has to deliver the policy of the central government and has its own responsibility to balance economic growth and social needs.

District governments are the actual administrative units for most urban redevelopment projects in Shanghai. Different district governments even have different policies for land acquisition, demolition and relocation compensation for redevelopment. Therefore, district governments have a high degree of discretion in the decision-making process of urban redevelopment. Pursuing instant returns and visible achievements, district governments always show great enthusiasm for neoliberal projects, of which property-led redevelopment is the most common form. Along with private developers, district governments in Shanghai have promoted extensive property-led urban redevelopment in the whole city, while paying little attention to the social needs of affected residents. Despite the fact that several ordinances have been published by central and municipal governments to slow down urban

redevelopment, district governments are reluctant to interrupt the rapid capital accumulation process. As a matter of fact, district governments manage to bypass or redirect some of the policies and continue to facilitate rapid redevelopment. Directly acting on behalf of the capital, district governments endeavour to make space for neoliberal programmes through re-interpreting or redirecting national policies and negotiating with upper authorities. Within the process of urban redevelopment, district governments have played the most active role and have engaged intimately with neoliberalism.

## Conclusion

This study recognizes a localized neoliberalizing process in China's urbanization, which legitimizes the growth-first strategy and promotes extensive urban redevelopment. The neoliberalization of urban redevelopment in China is characterized by increasing market operations and private investment, as well as constant state intervention. Emerging as a neoliberal frontier, urban redevelopment is linked to a set of multi-scalar political economic transformations unique to national and local contexts. As a set of hybrid constructs endeavouring to constitute and reproduce itself in different settings, neoliberalism in different political economic contexts weaves a patchwork of various neoliberal practices that barely resemble each other, namely the contingency of neoliberalism (Wilson 2004). Figure 3 summarizes some key features of neoliberalization in both developed capitalist economies and China. There are similarities and variations between the two systems. Similarities can be found in the most essential aspects of neoliberalization. Resonating with its western counterparts, the Chinese government institutionalizes growth as the primary goal of the state to fight poverty and underdevelopment, which hindered the country for a long period of time. Marketization is recognized as the fundamental means of promoting economic and urban growth, within which real estate development is one of the leading thrusts. At the same time, in both systems, the state gradually reassigns the responsibility of social welfare and infrastructure provision to the market. Public services are left behind or privatized through the competitive market. Shifts in central urban policy are also salient in both systems. Parallel to developed capitalist economies, the state, especially the local state in China, starts to introduce new elements, such as capital subsidies, place promotion, supply-side intervention, and local boosterism, into its central urban policy. Variations lie mainly in the state-market interrelationship and urban development paths. In developed capitalist economies, market logic is pervasive in every facet of society, projecting a decisive influence on the state's decision-making process. Under the pre-mature market system, China rests on a mixture of market logic and state authority logic. Market logic is still not strong enough to dominate the whole society and confront



**Figure 3:** Comparison of neoliberalism in developed capitalist economies and China (source: column on the left is compiled from Peck and Tickell 2002:394–395)

the state, especially under the rule of the Chinese Communist Party. In the heartland of neoliberalism, core elements of lean government, privatization and deregulations lead to a singular private-interest-centred urban development path. However, in China's neoliberal urbanization, a strong state presence shapes a quite different urban development path. Privatization and deregulation are only partially fulfilled. Social redistribution and public investment are selectively deployed to relieve social conflict. This creates a devious rather than a straightforward path of urban development to achieve long-term capital accumulation.

China's neoliberal urbanization has multiple implications for neoliberalism studies. First, to capture actually existing neoliberalism in different political economic contexts precisely, we need to rethink the interrelationship between the state and market. Despite the functions of governments being partially transferred to non-state and quasi-state bodies, eg non-profit organizations, civil society, and the private sector, neoliberalism does not come close to the death or shrinking of the state (Peck 2004; Jessop 1998; Peck and Tickell 2002). In fact, rather than being just a market-assisted process of state withdrawal, neoliberalism involves the restructuring and reorganization of state capacities, since the inherent limitations of the market need to be managed and regulated by the growth-assisted state. In assisting the implementation of neoliberal projects, state actions can be fairly subtle or really salient (Perreault and Martin 2005). And yet, we are not going to compromise our statements on actually existing neoliberalism by roughly labelling different eras of neoliberalism (eg "roll back" and "roll out") or alluding to the contingency of neoliberalism. Most importantly, we argue that it is the actual effect of legitimizing and managing market operations rather than the presence (or absence) of the state that matters. In China, neoliberalism does work in a pre-mature market system and involves strong state intervention. Different forms of state intervention are deployed to justify and impose market rules upon various aspects of the society. Although the motivation for reforms is bold, the progress of reforms is gradual and the restructuring of existing institutional arrangements is modest, and these changes do not overthrow socialist characteristics and the public ownership of urban land. However, this does not suggest that neoliberalism works less effectively in the Chinese context. Quite the contrary: since the state possesses very powerful tools to effectively regulate market operations by controlling the most important resources, this particular setting actually creates a more effective management system to cope with the contradictions and imbalances produced by neoliberalism itself. China's neoliberal urbanism, therefore, has a responsive and resilient system. In the marriage of the state and the market, the former plays a proactive role and leads a steady though moderate and hidden way towards neoliberalization.

Second, in terms of state–market interaction, we refer not only to the nation state, but also to the sub-national state and the local state. A new nexus of governance is formed to assist and manage neoliberal urbanization, within which the local state is pushed to the forefront of neoliberalization. Within the process of “re-territorialization” in both socio-economic and political-institutional spaces, states are rescaling the territory in which they can exercise power in the most effective way (Brenner 1998; Swyngedouw 1997). In China, the local state works as the most active and efficient agent for neoliberal urbanization. Although neoliberalization in China’s urban redevelopment is basically a top-down process, the role of the local state in implementing and managing neoliberal projects is critical. Precisely as part of an entrepreneurial strategy of the city, the local state is acting as an agent to produce and sell urban spaces as its products (Harvey 1989). After administrative and fiscal decentralization, different level governments’ engagement with neoliberalism is directly associated with their interests and responsibilities in local (re)development. At the local level, actually existing neoliberalism manifests in a most drastic way, as the local state is highly motivated to assist neoliberal urban projects and manage emerging crises.

Third, the Chinese case further validates the importance and necessity of scrutinizing neoliberal practices, ie actually existing neoliberalism. Neoliberalism exists in various forms, involving intricate rather than unitary transition, and the transition to neoliberalization is complex rather than straightforward. Various neoliberal experiments are implemented in different spheres by different agents, which inevitably induces numerous contradictions and conflicts. Understanding the controversies and inconsistencies of neoliberalization and its evolving trajectory is one of the most important and valuable components of neoliberalism studies. In this study, we recognize horizontal tensions between neoliberal practices and social resistance and vertical tensions between different tiers of government within China’s neoliberal urban redevelopment. This is essential for us to understand emerging neoliberal urbanism in China. More importantly, it is of significance to recognise different forms of neoliberalization other than the orthodox Western stereotype.

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