

Evolution and adjustment of land and housing policy in the process of China's urbanization

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Land and housing policy has been developing towards market pricing since reform and opening up of China. China has witnessed rapid urbanization and large population flows in recent years. In addition, the demand and supply of land and housing in urban and rural areas are in sharp contrast. These issues have brought greater challenges to current land and housing policy in China. This paper proposes the basic thinking for adjusting land and housing policy on the basis of the urbanization theory of Jean Gottmann and Terry, G. McGee, as well as the housing market filtering model. It also pushes forward the idea of establishing a construction land market that covers both urban and rural areas, and an interactive housing system, which would address the housing concerns of urban migrants and put to use vacant housing and idle homesteads in rural areas.

Keywords: urbanization, migrant population, land policy, housing policy

1. Introduction

China is at a turning point of rapid urbanization. As a result of a large population and rapid urbanization, huge population movements have brought great challenges for existing land and housing policy in China. The influence of inter-city and rural-urban flows touches both the current housing policy in urban areas and housing development in rural areas. It also poses a challenge to the existing system of land use and administration. On one hand, the government should address the housing concerns of low-income residential households. On the other hand, it must create a living environment for newly employed migrants and rural migrant workers. The rise of the rural migrant worker class has exacerbated the housing shortage in the urban areas. What is worth mentioning is that this leads to vacant properties, idle homesteads, and farmland degradation in the rural areas.

With rapid urbanization, the efficiency of the utilization of construction land drops in urban areas. The urban housing market keeps heating up and the prices keep rising. These factors intensify the imbalance between housing supply and demand in urban areas and boost housing development in the city's outskirt villages. The housing with limited property rights comes into

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being in the urban-rural fringe zone and becomes a headache for land and housing administration. Meanwhile, lots of mass incidents are caused by unfair trading of leasing land and the homesteads of rural migrant workers and compensation for land expropriation. The current land and housing policy formulated through reform and opening over the past three decades cannot meet the needs of urban-rural flows any longer. It raises new challenges to the reform of land and housing policy and the administration system.

The Third Plenary Session of the 18th CPC National Congress pointed out the need to make market rules fair, open and transparent, and perfect a mechanism under which prices are determined by the market and form a construction-land market that unifies urban and rural areas. Neither reforming the urban housing system nor improving the rural land and housing system alone could be systemic, comprehensive and dynamic. This would neither solve existing nor emerging problems. Therefore, it is imperative to review China's urbanization from the perspective of overall urban-rural development and to develop land and housing policies and a system that unifies urban and rural areas in the context of new urbanization.

2. Current situation and problems

2.1. Focus and discussion for land and housing policy in different periods

Through three decades of reform and opening up, China has broken through the system of land and physical housing allocation through planning and administrative commands. The price-based distribution mechanism has been put into place to satisfy economic and social development.

2.1.1. Land policy

In general, reform of China's land system is centered on marketization and oriented toward improving the efficiency of resource allocation. In rural areas, the reform of the contracted land system has gone through two phases, namely separating use rights from ownership and operation rights from use rights. These changes relate to whether rural labor can be separated from the land. The other focus is the transformation of rural land to urban construction land and the corresponding policy reform, which is closely associated with the urbanization development.

2.1.1.1. Land policy evolution

Three decades ago, Xiaogang Village in Anhui Province contracted land to villagers, beginning rural land reform in China. Since then, rural land has been collectively owned while operated by the contracted household. It is an important innovation for the land property system in the rural areas of Mainland China, based on which the theory of separating use rights from ownership is put forward. In order to deal with the serious problems that farm land has been transformed to construction land during the urbanization, China tried to control the exploitation of farmland through administrative measures. In 1982, *Rural Housing Land Management Regulations* and

National Construction Land Requisition Regulations were issued, but with limited effect. After 1985, deeper land reform was difficult, and rural land became an impediment to the rising wealth of farmers.

In 2008, the Third Plenary Session of the 17th CPC National Congress adopted *Decisions on Major Issues Concerning Promoting the Development and Reform in the Rural Areas*. Farmers were allowed to trade land-contracting rights and operate land in a diversified way. The 2013 Rural Economy Meeting of CPC recombined the rights of land contracting and operation and reconfirmed the nature of land ownership. It also identified the rights of land use for farmers and the operation rights for the actual users. The ownership, use rights, and operating rights were separated from each other. In 1999, the Ministry of Land and Resource discussed *the Administrative Methods for the Trading of Rural Collectively Owned Construction Land*. The Anhui and Guangdong provincial governments attempted to explore the trading market of rural collectively owned construction land by issuing local methods.

The Third Plenary Session of 18th CPC National Congress reaffirmed that the government allows “sale, leasing, and demutualization of rural, collectively owned construction land as such practice conforms with planning, and rural collectively owned construction land will be traded the same as state-owned land”. The reform of the rural land system will deepen. The synchronization between land system reform and the availability of basic farmland protection will secure grain supply and arouse farmers’ enthusiasm. The synchronization will release rural labor from agriculture and lay a sound foundation for future system reform.

2.1.1.2. Evolution of the urban construction land system

Since reform and opening up, both the reform of the land property system and the administration system have focused on the urban construction land. Reform has established the framework of an urban state-owned land market and identified it as the main body for the land resource allocation. The reform of the urban land use system was accelerated with the release of *Land Administration Law of the P.R.C* in 1986. Land use rights were separated from ownership and a paid-use system emphasizing land use rights was established. The reform of the urban construction-land system has undergone the following phases: pilot (1979-1987), emergence (1989-2000), and improvement (2000-present) of land market. Three decades of reform has consolidated the paid-use system for urban land, utilized the market value of land, and improved the land rights system and allocation rules, thus allowing market to play its role in land use.

2.1.2. Housing policy

In general, China’s housing policy reform has undergone three phases: privatization of public housing and housing marketization, development of the housing security system and improvement of housing policy, and state macro control over the real estate market.

2.1.2.1. Promoting the privatization of public housing and housing marketization

In 1980, Deng Xiaoping put forward the idea of selling public housing, adjusting rent, and allowing private buying to address the widespread housing difficulties in China. This broke the old concept of public ownership of housing and unveiled reform of housing system in the urban areas.¹ The reform of housing system has been conducted gradually in the urban areas around China since February 1988. Employees were encouraged to buy housing that was previously public-owned. A proposal that focused on selling public housing and addressed the housing problem by selling, renting, and constructing homes was gradually adopted. The new housing system, one that replaced physical housing allocation with housing funds as well as housing commercialization and socialization took shape. In July 1998, State Council of China issued the *Notice on Deepening Housing System Reform in Urban Areas and Accelerating the Housing Construction* (Guofa(1998)-23). The system of physical housing allocation gradually withdrew from the historical stage. The individual citizen could obtain the ownership of public housing at favorable prices through the reform of public-housing privatization, due to which home ownership in urban areas increased to over 80%. The reform boosted the development of the real estate market in China. Moreover, it led to overheated investment, imbalance between supply and demand, and the rapid increase of commercial housing prices.

2.1.2.2. Emphases on the development of low-income housing and improvement of housing policy

In order to satisfy the housing demand of middle-low income families and the non-beneficiaries of public policy, the Chinese government has attached attention to the policy of low-income housing since the housing commercialization in the 1980s. The issuing of Notice (Guofa (1998)-23) promoted housing marketization. In addition, it affirmed that a housing supply system focusing on affordable house would be established. The development of affordable house was the main measure taken to address the housing needs of the middle-low income group. The policy was slightly modified in the following years. Low-rent housing, as the bottom of the multi-level housing supply system, improved the housing security system in the urban areas and helped low-income families with housing difficulties. China's housing security policy has improved along with the booming of the real estate market in urban areas and sound economic development since 2007. In particular, the Chinese government set up a target of constructing public housing of 36 million units in 2011, so as to improve people's welfare and promote economic development. China put the development of a housing security system for rural migrant workers on the government agenda in 2006. However, rural migrant workers were covered by the housing security system at the prefecture level or above until 2013. All in all, the development of public housing has eased the housing burden of the middle-low income group caused by the housing commercialization and marketization. Yet, there are still a number of issues like the housing security level and operation mechanism to be addressed.

¹ State Council of China issued "Notice on Continuing the Reform of Urban Housing System Steadily" on June 7th, 1991. In April, 1980, while talking with leading members of CPC Central Committee, Deng Xiaoping pointed out that the housing market should be commercialized, housing allocation system should be adjusted and houses could be sold as products.

2.1.2.3. Actively intervening in the housing market through macro control

The housing market in the rural areas of China has witnessed many ups and downs since 1998. The Chinese government keeps intensifying its macro control over the real estate market as its influence on economic and social development increases. Besides governing regulations, a market regulatory mechanism focusing on controlling money and land supply has been put into place, through which, soaring housing price, land hoarding, and land left idle have been curbed. The Chinese government has played a significant role in regulating the real estate market since 2004. It has undertaken several rounds of macro control over the market for different purposes. The round from 2004 to the first half of 2008 was meant to cool the overheated housing market. The round from the end of 2008 to 2009 focused on addressing the housing concerns of the middle-low income group by developing public housing, low-rent housing, and policy-based commercial housing. Housing price increases have followed each round of macro control, a lasting headache for the Chinese government. In order to curb house speculation, the money and land supplied have been tightened for several times. In addition, a purchase limit policy has been adopted by more than 40 cities around China.

2.2. *Challenges to the current housing and land policy*

The overall development between urban and rural areas is promoted in the context of rapid economic and social development and urbanization. Against this backdrop, the current land and housing policies face challenges from both urban and rural development.

2.2.1. Sharp contrast of construction land between urban and rural areas

Generally speaking, the land factor market is not mature. The development between the urban and rural markets is uneven. The two markets are not unified. The rural collectively owned construction land is excluded from the land market and much of it is left idle. Given that rapid urbanization demands more state-owned land, the shadow market for rural land trading is widespread in China.

2.2.1.1. There is a shortage of construction land for urban development and housing prices keep rising

The reform of the state-owned land system has resulted in a trading mechanism focused on bidding, auctions, and listing. It greatly promotes the development of the state-owned construction land market. With the further industrialization and urbanization and building of a new countryside, the demand for non-agriculture construction land has increased. In addition, the Tier I market is monopolized. The supply of construction land in the urban areas, especially in medium and large cities, is far from the demand. For instance, in 2011, the average selling price of commercial housing reached 7,439 rmb/m² for 35 medium and large cities around China, an

increase of 132.7%¹ compared to 2005. The price of residential land increased simultaneously. The average land price reached 6,165 rmb/m², an increase of 61.2%² from 2005.

2.2.1.2. A large amount of rural collectively owned construction land lies idle or is extensive-used

The market for collectively owned construction land has developed slowly due to multiple constrains. The economic value of land is yet to be realized. In the past few years, the land has been mismanaged in rural areas due to deregulation. Some rural land is leased or sub-leased. Some farmland is illegally occupied for construction. A great number of factories are empty. Moreover, the per capita size of rural construction land has grown, rather than shrunk, as the rural population has shifted to the cities. In addition, a large number of rural migrant workers settle in urban areas after building or purchasing homes there, while at the same time still holding farmland, which they contract to other farmers, and residential land in rural areas. In the market economy, illegal home trading takes place frequently in rural areas, causing property disputes, ambiguity in land ownership, and a disorderly land market.

2.2.2. Difference in land and housing trading between rural and urban areas

The dual urban-rural structure has adopted for the land system in China for quite long time. The government monopolizes the acquisition rights of collectively owned land in rural areas and the supply rights for construction land in the urban areas. This monopoly blocks the trading of the residential land and homes of farmers to urban areas. In addition, the ownership structure and economic driving force discourage urban homes to flow towards rural areas. This results in the urban-rural dual structure in both the land and housing systems. It also leads to unequal housing benefits between urban and rural areas, as well as between the farmers living in well-developed regions and underdeveloped regions.

2.2.2.1. In undeveloped rural regions, residential homes lie vacant and land idle

In rural areas, farmers build their homes at their own cost on free land. They are granted the right of residential land use on the basis of collective land member proprietary rights. A great number of young laborers move from underdeveloped areas to urban areas for jobs. They gradually become wealthier and purchase homes in urban areas. Against this backdrop, many homes are not utilized in the rural areas of underdeveloped regions. As the property in rural areas can only be exchanged among the rural population according to the regulation, it is the fact that part of rural land and housing resource was wasted.

2.2.2.2. In developed regions, real estate development is booming in rural areas

Driven by economic interests and high housing prices in the urban area, a great number of homes with limited property emerge in these regions. Farmers' homes are not permitted to

¹ Source: *China Statistical Yearbook, Urban Statistical Yearbooks*.

² Source: Dynamic monitoring data collected by Institute for China Land Surveying and Planning.

enter into the system of urban home trading directly due to the dual urban-rural structure. The deregulation of homes with limited property will shock the housing market in urban areas. Forced relocation will cause great loss and even mass physical conflicts. (Cheng, 2009) Therefore, the dual structure puts China into a dilemma: the official housing market is not working while the unofficial market is dynamic. The dual housing and land structure is not suitable to the demands of urbanization and comprehensive development of urban and rural areas.

2.2.3. Changes of housing benefits structures between urban and rural areas

2.2.3.1. Most migrants are included in the group with housing difficulties in urban areas

Housing development lacks a long-term plan, especially an overall plan for addressing the housing difficulties of new residents and new migrants in urban areas. A great number of student migrants have flooded into the large cities with the acceleration of urbanization and the expansion of college enrollment since 1999. They are unable to support their housing needs with low incomes. Meanwhile, rural migrant workers are incapable of obtaining a home on their own. According to statistics released in early 2013, there are over 160 million¹ rural migrant workers in China. They are marginalized by cities and excluded from the urban housing system. Their housing concerns are addressed through “self-guarantee”. They mainly settle their housing needs by renting homes from local residents or living in employee dormitories. The central government has requested local governments integrate rural migrant workers into the urban housing guarantee system, but this is insufficient. In addition, the public housing fund for the rural migrant worker has received a cool welcome.

2.2.3.2. Urban residents and a portion of rural residents enjoy multiple kinds of housing benefits

In the context of the dual urban-rural structure, urban residents are prioritized for the housing guarantee. Rural migrant workers hardly have any housing guarantee. Meanwhile, the rural residents living in the well-developed suburbs are entitled to more benefits than other rural residents due to the existence of the “grey market”. Rural residents are granted physical and monetary compensation when their homesteads are expropriated. Uneven housing distribution and high housing prices further increase the income gap among the urban middle and low-income group, rural residents in underdeveloped regions, and other groups. Polarization has emerged in the housing benefit distribution.

3. Theoretical basis and theories for policy adjustment

3.1. *Theory of urban-rural development and land and housing policy*

Urbanization is synchronized with agglomeration of population and industry as well as the

¹ Source: <http://finance.people.com.cn/n/2013/0527/c1004-21624982.html>, 2013-5-27/2013-12-15. The total size of rural migrant workers is up to 262.61 million in 2012.

increasing demand for land and housing resources. In other words, the demand for land and housing in urban areas depends on the urbanization level and the direction of migrant flows. This has been proven true. Therefore, the formulation and adjustment of land and housing policy must take into account the level of urbanization and direction of the flow of migrants.

Jean Gottmann and Terry G. McGee put forward two different theories for urbanization development and population emigration. Gottmann's theory recognizes that the intensive interplay among the megalopolises that develops along certain axes would greatly influence urban development and emigration. After considering the interaction between urban and rural areas and the characteristics of the spatial economy, McGee points out that urbanization represents the quantitative difference in social and economic activity like the population movement and mobility.

China has several megalopolis regions like the Pearl River Delta and Yangtze River Delta, as defined by Gottmann. Their spatial patterns display an interlacing of rural land and urban land that reflects the integration of rural and urban areas. So, there are two development paths for China's urbanization. First, the megalopolis regions like Pearl River Delta, Yangtze River Delta and Bohai-Sea Region emerge. Such urban-urban integration will trigger population agglomeration. A great number of farmers flood into the urban areas, which directly or indirectly boosts urbanization and changes total demand in the housing market. In turn, expansion of the housing industry and increasing of housing demand will promote urban expansion and migrant agglomeration. The land use intensity keeps increasing for trans-administrative regions. Urbanization leads to rising land and housing prices. It breeds a grey market for rural collectively owned land. It makes land administration and addressing housing concerns in both urban and rural areas more difficult.

Second, urban-rural integration is widespread among Tier Three and Tier Four cities in China. The urban-rural gap is generally mitigated through infrastructure development in the rural-urban fringe zone. The interweaving in the urban-urban integration greatly reduces the size of the residential population living in rural areas influenced by Tier Three and Four cities as well as the demand for housing and land there. The land supply is still available due to the current policy of land and homestead trading in China, which further reduces the land use efficiency in the aforementioned rural areas.

With the above said, land policies regarding construction in rural areas and housing in urban areas need to be kept abreast with development in the corresponding areas, and made in accordance with local development strategy and resource capacity. To cater for the need generated by rural-urban migration flow, rural construction and urban housing policies should get adjusted. First, reduce land supply for rural construction and while increase the supply in urban areas. The majority of the value generated from the transfer of the lands is to be enjoyed by the migrants. That is to say, a large proportion of the profits created by transforming rural construction land into urban construction land belong to migrant works and their families. Then, achieve a land supply that based on population movement; be flexible in land supply policy in different regions for a more reasonable supply and demand relation in urban areas.

3.2. Filtering model and land and housing policy

According to the filtering model proposed by O' Sullivan (2002), homes can be distributed

among different market layers through housing market filtering, thereby optimizing resource allocation, preventing waste, or improving utilization efficiency.

Analysis of the filtering model targets medium and larger cities. It divides homes into three categories by function: low-end housing, middle-end housing and high-end housing. It divides those demanding housing into three categories by income level: low income, middle income and high income. Housing resources can be properly allocated through the market. Homes will be allocated to each person at a proper selling or renting price. There aren't clear boundaries among different markets.

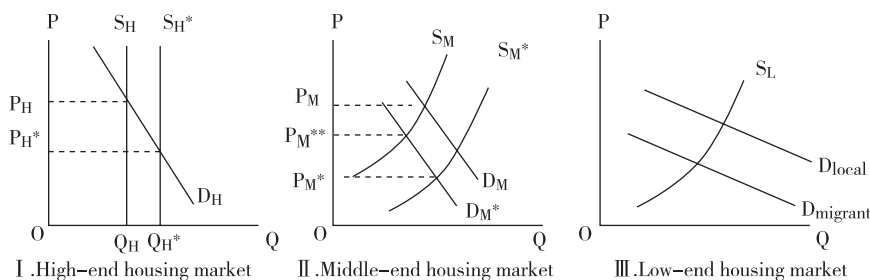


Figure 1. The filtering model for three kinds of housing markets under current housing policy in China

As for commodity housing policy, the Chinese government restricts the construction of high-quality housing. The vertical supply curve indicates rare changes at the upper-end market (Figure 1: I). The supply of high-end housing stays around Q_H . Constrained by the restriction policy, Q_H is below Q_H^* , the supply equilibrium of the segment. In this segment, $P_H > P_H^*$. High prices of high-end housing drive a portion of middle-end housing to the upper market through reinvestment. Such reverse filtering fills a portion of, but not all of, the supply gap of the high-end market ($Q_H^* - Q_H$).

In the ideal filtering process, a certain number of middle-end homes will be filtered to the low-end market when the middle-end market accepts the filtered high-end homes. The supply curve representing the middle-end market will drop from S_M^* to S_M due to the reverse filtering between the middle-end and high-end market. Meanwhile, the price curve of the middle-end market will move from P_M^* to P_M^{**} , which indicates that demand exceeds the supply in the segment. Owners will improve housing quality through renovation and maintenance. In this way, such homes will stay at the middle-end market rather than be filtered to the low-end market. The current housing policy and *hukou* (household registration) policy don't allow migrants to purchase the guaranteed housing in urban areas. Migrants who are able to afford urban housing enter the middle-end market. The market demand curve moves up to D_M and housing prices increase to P_M . The supply of regular commodity housing rises accordingly. (Figure 1: II)

In addition to the limited quantity of homes filtered by the middle-end market, the low-end market mainly consists of the government public houses and the old houses owned by local residents. The income of rural migrants is even lower than that of local low-income group. They

will be provided with quite few number of filtered houses or locally old house by the market. In the context of same price, $D_{\text{migrant}} < D_{\text{local}}$. Since there are limited number of low-end houses and great number of local low-income group in the urban areas, it is difficult for the migrants to buy or rent the low-end houses after depreciation in the urban areas. This is the reason so many migrants gather and live in the urban-rural fringe zone or in urban villages. (Figure 1: III).

Rapid urbanization brings a flood of migrants to the city and gradually increases the demand for the low-end housing. The number of homes, filtered by the middle-end market, is not enough to satisfy market demand. Therefore, on one hand, the government could construct lots of public housing to fill the market gap transitionally. And on the other hand, it would give full play to the market's supervisory role, which brings more high-end housing to the market and leads to a supply-demand balance for every sub-market. In detail, first, we should deregulate the high- and middle-end housing segment of the primary market and cultivate the secondary and tertiary housing market, through which idle and vacant middle-end housing would be put into use. Second, we should encourage the upgrading and renovation of existing old housing and the free flow of housing among those demanding it. Third, we should integrate rural housing (or homesteads) into the filtering system of urban housing. Public housing policy should give priority to satisfying the transitional demand of low-income groups and migrants in urban areas.

4. Thoughts and framework for policy adjustment

4.1. Thoughts on policy adjustment

The basic thinking for the adjustment of land and housing policy could be established by analyzing the relationship between development trends of urban and rural areas as well as land and housing policy, and between housing filtering and land and housing policy. To be specific, it should be based on the principle of urban-rural equality and oriented towards improving allocation efficiency for the population, construction land, and housing resources in both urban and rural areas. It should develop a structure linked with the urban-rural development plan and promote the reform of the collectively owned land system in rural areas and the improvement of urban-rural housing policy.

It should adhere to the collective ownership and contracting operation of rural land. Meanwhile, it should attach importance to guaranteeing farmers' rights to equally share added value from the land. It should strive for building a construction land market that unifies urban and rural market. The collective ownership of land is an important basis for establishing the land system and governing structure in China. It is also a critical system designed for guaranteeing farmers' livelihoods and food security during urbanization. On one hand, it should stick to the existing land ownership structure. On the other, it should pay attention to establishing an interest-sharing mechanism for the supply of rural construction land and urban land as well as to adjusting the benefits distribution pattern. It is impossible to establish a construction land market that unifies urban and rural areas without the availability of a new system of housing tax and urban-rural

governance. It should share the benefits brought about from changing land use designation among a broader group of people so as to realize the spatial matching between land supply and migration.

It should improve the urban housing market. Meanwhile, it should address the housing concerns of non-local households, like newly employed and rural migrant workers. It should strive to be a housing system of urban-rural interaction. The change of population distribution caused by urban-urban flow and rural-urban flow influences the housing situation in both the places that migrants leave and those they migrate to. Therefore, housing policy should focus on the migrant flow of non-residents and the corresponding housing concerns. It should develop a comprehensive housing system that satisfies different levels. It is truly necessary to define the focal point for addressing the multivariant housing structure. The interaction between guaranteed housing and the market will gradually take shape by addressing the housing and land problem triggered by the migrants.

With people as the focus, a construction land market and housing trading platform with trans-regional cost sharing should be put into place. Urbanization is a process by which people migrate to concentrate in the cities. There is a common understanding in China that new urbanization should be human-centric. As a country with a vast territory, China often sees migration from here to there. In order to establish a construction land market that unifies urban and rural areas as well as a housing system of urban-rural interaction, China should establish a pricing platform. Transformation from rural migrant to urban citizen will lead to a redistribution of land and housing resources. With a proper pricing platform, the corresponding cost of urbanization will be jointly shouldered in reasonable way.

4.2. Policy framework

In the context of the unified construction land market for urban and rural areas as well as the housing system of urban-rural interaction, the main body of housing demand includes urban residents, migrants to cities, and farmers. Urban residents can freely change status to migrants to cities, and farmers can change status to migrants to cities. Farmers can be transformed into urban residents, but not vice versa. For the purpose of differentiation, the city migrant with a rural household identity can be called a rural-urban migrant. The migrant with an urban household identity can be called an urban-urban migrant.

The main mode of housing supply under the housing system includes: market supply, government supply, and self-construction by farmers. The market will supply high-end housing, middle-end housing, and a portion of second-hand, low-end housing. The party demanding housing can make the choice among these, which are constrained by income level and personal preference. For example, market-supplied housing is mainly bought by urban citizens with high and moderate incomes. The government supply covers public housing, houses of two limits, and low-rent housing. It targets the low-income group in urban areas, and city migrants. Farmers build their homes themselves or collectively in rural areas. Housing can be divided into two categories according to its nature: commodity housing or guaranteed housing. Refer to Figure 2 for a detailed structure.

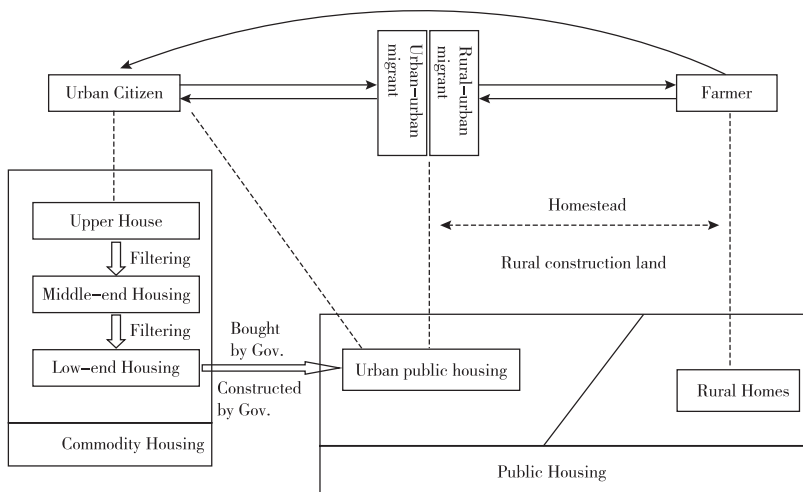


Figure 2. Theoretical model for the unified construction land market of urban and rural areas and interactive urban-rural housing system

4.2.1. Interaction between urban and rural housing

High-end housing, middle-end housing, and low-end housing will be filtered level by level in accordance with the rules of the market. After filtering, it will satisfy the demands of the high and middle-income groups of urban citizens and a few city migrants. The increasing income gap has led to uneven occupation of housing resource and rampant housing speculation around China, which restrains housing market filtering. It is necessary to reform the housing tax system to increase the cost for the high-income group that holds excessive housing resources. Such reform will reduce the occupation of middle-end housing by the high-income group and maintain market filtering.

The government can develop public housing by building low-end housing and renovating or renting a portion of low-end housing in urban areas. The government owns the property or use rights of public housing in urban areas. It can provide city migrants with public housing in accordance with their migrant duration, job steadiness, and willingness to return home. In this way, public housing could be traded among entitled people in urban areas. At the same time, the government could gradually purchase obsolete or traded old houses in rural areas. These houses and land could be put into stock for reserving rural homesteads or developing public housing in rural areas. We should establish an internal trading mechanism for public housing in both urban and rural areas. In other words, the houses could be freely traded among urban citizens, and among city migrants, and between urban citizens and city migrants. The key to such trade is to ensure the housing security for those who change status between rural-urban migrants and farmers.

4.2.2. The homestead certificate and housing guarantee for rural-urban migrants

The Third Plenary of the 18th CPC National Congress proposed that housing finance

institutions should be developed. Correspondingly, rural migrant workers could be gradually integrated into the urban housing guarantee system if they abandon their homestead ownership and housing-use rights in rural areas, with the governments of the places from which they are emigrating granting them with homestead certificates.¹ The certificates could be issued by the hometown government of the rural-urban migrant or an authorized agency. They would not be for raising funds but raising land from farmers. It is the government's commitment to the migrants. It is the certificate to show that farmers are entitled to compensation for abandoning their rights. Since there are two models for China's urbanization development, it should have at least two options for the compensation of the homestead certificate. The choice is up to the farmers. First, the reference price for construction land should be identified and a trading market for rural construction land established. Farmers will be granted compensation in accordance with the reference land price or market price of rural construction land. Second, if a farmer would like to return home after several years' migration, he could be granted with a piece of homestead, an old house, or a rural collectively-owned house in a nearby village by the government of his previous household registration. The homestead and old houses come from the construction land pool bought and reserved by the government, and the rural collectively owned houses will be constructed and administrated by the government. In addition, the homestead certificate should state the living duration of migrants and size or price of future houses or homesteads. After the rural-urban migrant sells his homestead certificate to the hometown government, the government receiving the migrant would integrate him into the urban housing security system during the period in which he holds the certificate.

A homestead certificate will not release the rural-urban migrant from the rights of contracting agriculture land. The rural-urban migrants who give up the homestead could keep the contracting agriculture land if they wish. If a rural migrant worker wants to go back home, he could be resettled in a nearby village when he obtains the certificate, issued by the government receiving the migrant, showing that he is retreating from the urban housing guarantee system. The compensation for homestead certificates could be covered by increased taxes on the commodity house market (such as a property tax) or municipal bonds. Meanwhile, the government's ability to improve the local living environment and public service quality will be improved based on the revenue.

4.2.3. Unified land use and transaction for both urban and rural areas

We should establish a construction land market unifying urban and rural areas as well as an interaction system of housing indicators from a long-term perspective. Government should not act as land expropriator except for infrastructure development and public facility development. It should work out a land use plan unifying urban and rural areas to prevent rural landowners from over-development. The land supply and price will be determined through negotiation between

¹ The town and village government, the villager committee and villager group should take part in the process. This paper doesn't discuss the coordination mechanism among the three.

land user and rural land owner (including the direct contractor). The mechanism will reduce the frequency of government's involvement in land expropriation.

There are two ways for developing the rural construction land market. First, we should allow rural collectively owned land in suburban areas to be directly traded, which would motivate the enthusiasm of farmers and other investors. Meanwhile, we should set up a mechanism that distributes the benefits to a broader range of people. A certain proportion of land added value will be integrated into the public service fund that is used for developing the infrastructure in the district and county scope. Second, regarding construction land in areas far from urban areas, the hometown governments of migrants could purchase houses, homesteads, and contracting land abandoned by farmers at the proper certificate price. This would prevent land waste and idling in rural areas through proper planning and functional restriction. The scattered villages will be gradually consolidated as central villages or towns. The local government will be released from the suffering land finance in the first way. The added value of land could be shared on an equal basis. The second way is conducive to increasing the intensity and efficiency of land use in rural areas. It will shrink the occupation of construction land and extend the trading scope of contracting land. In addition, the hometown governments of migrant workers could formulate detailed plans for construction land use and unified plans for housing development. This could satisfy the housing demand of residential farmers and returning farmers and achieve overall housing planning and development in the rural areas.

4.2.4. Cross-regional coordination between the governments the places of immigration and emigration of migrants

If rural-urban migrants are employed at the place where their household is registered, the methods described above could be integrated into overall urban-rural planning. And then the interaction between urban and rural housing resources would take place. If migrants go to another place for employment, the homestead certificate could be traded between the side of local government the migrant has left and the side that has received him. This would require establishing a price coordination mechanism between the two sides. On one hand, the size of land for constructing public house could be increased at the side receiving the migrant. On the other hand, the size of construction drops in the rural area from which the migrant has left accordingly. The homestead abandoned by the migrant workers will be cultivated or integrated into the trading system of construction land. The earnings from trade could be paid as compensation to farmers who are abandoning their homesteads or used for construction of rural public housing. Therefore, the central government could establish a trans-regional coordination mechanism or trading platform of public resources at the national level. It could define the trading price for construction land for different regions by many factors, like homestead quantity, quantity of public housing provided to migrants by the receiving government, quantity of rural-urban migrant coming and leaving, etc.

5. Conclusion

With the adjustment of land and housing policy, a construction land market unifying urban and rural areas and an interactive housing system will gradually be brought about. The policy adjustment should take into consideration the population flows from rural areas. At the same time, it should address the rural land and housing concerns of rural migrants. Vacant housing and idle homesteads should be activated, so as to satisfy the overall urban-rural planning and the new urbanization.

5.1. Land and housing policy should be reviewed and adjusted from the perspective of supply and demand changes caused by population flows. The government promotes migration and land related flows in both urban and rural areas by establishing the trading platform of land and house. It could transitionally address the housing concerns of migrants by intensifying the development of public housing.

5.2. It should be given full play to the real estate market, planning, and taxation to improve the efficiency of land and housing allocation. The real estate market should be the main means of addressing housing difficulties. We should reform the current housing tax and finance system to maintain the smooth filtering of the housing market. We should establish a mechanism by which the benefits accumulated from changing the function of rural land construction can be shared by a broader group of people. We should encourage the renovation and upgrading of old houses under a plan with favorable tax policy. We should strive for housing allocation on a fair basis.

5.3. The land use plans and housing development plans should be formulated in a unified way for both urban and rural areas. We should focus on the registration of construction land in the rural areas. The scientific planning system should be available to constrain the land use rights as well as rural land ownership. The issues of housing with limited property rights, new urban citizens, and new migrants should be reviewed and addressed in a visionary and comprehensive way.

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