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Master in International Economic with a focus on China

**Chinese land reform:
property rights and land use**

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Abstract: Is China's "property rights" legislation, which distinguishes transferable "property rights" and inalienable "land ownership", a new concept that is unknown before, or a pragmatic reversion to the individual property rights system abolished by the communist revolution? This study claims that the latter is a better exposition. As part of a "socialist market economy", such a reversion is manifested in the legal recognition of the leasehold tenure after the "responsibility system" in agricultural production had proved to be successful. As the development of private property rights is a prelude to market transactions, land use rights reform in China should be conducive to the success of China's economic liberalization policies, provided that there is a contemporaneous advance in the development of the policies and technical know-how, such as new land use right policy and land surveying.

Key words: property rights, land reform, land ownership, private property rights, rules of law.

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1. Introduction

1.1 Short Introduction and Background

China has experienced two main land reforms during the 20th century. One reform happened from 1947 to 52 by the force of People’s Liberation Army. Land owned by landlords, temples and clans(Bramall 2004), and land rented out by rich farmers (Bramall 2004), was seized by the newly formed village of Farmers’ Associations. This confiscated land was then re-distributed to middle and poor farmers, and to landless laborers. By 1952, a system of small-scale family farming had been successfully created by the Chinese Communist Party. This system continued to 1956, when it was replaced by collective agriculture.

For the second land reform between 1981 and 1983 grew out of a series of policies aimed to make the collective operate more effective. These collective farm policies, which started to be implemented in 1976, was originally intended to restore the material incentives, and in the same time to reduce the size of the unit of account from production teams to working groups. In 1978, more radical reforms were taken in several places, mainly in Jiangsu and Anhui province. Farmland and agricultural equipment was handed over to farmers, effectively restoring the family farming. However, this de-collectivization process was very slow; even to the end of 1980, only 5 percent of the production teams had adopted the family farming across China. But 1980 proved to be the last year of collective farming as the process(Bramall 2004) of de-collectivization gathered momentum and Chinese leaders decided to resume the small scale farming system of the 1950s, an era widely viewed within the CCP during the early 1980s as the (Leninist) ‘golden age’ of Chinese socialism(Bramall 2004). In October 1981, 38 percent of farmers’ production teams had introduced the system of

family farming known as “Da bao gan”(big contracting) or “ Bao gan dao hu” (‘ contracting every thing to the household ’), and this number had risen to 67 percent by June 1982. From 1982 to 1983, even recalcitrant provinces such as Yunnan were forced to bend before the prevailing winds. By December 1983, 94 percent of China’s production teams had abandoned the collective and the process was completed in 1984.

1.2 The Aim of the Thesis and Research Questions

The aim of the thesis is to study and explore how the current and the proposed property rights structure for land in China affect rural and urban settlements. In general, the concepts and literature which are used in this paper is the discussions of the assessment offered by Griffin, Coase, Chen and Freyfogle (GCCF) of land reform and property rights theory. I choose these four researchers because they have different ideas in land reform and property rights. However, this is also as the very boldness of the claims made by GCCF for China’s reforms. Coase et al.(1958) speak about the 4 important criteria for efficiency of property rights: First is universality—all scarce resources are owned by someone;Second is exclusivity—property rights are exclusive rights; the third transferability—to ensure that resources can be allocated from low to high yield uses; the last is operability—can used by people. This thesis will show that only when one finds the above factors and the connections from rural and urban such a complete framework is it possible to solve the Chinese puzzle of property rights.The research questions of this thesis are: How do dwellers in cities and villages perceive the existing and future property rights system? What is the role government can play in the whole process of land reform? Moreover, looking the past years, how well does the system fit the needs of China’s rapidly growing economy? In short, the factors should be the most important both in Chinese rural and urban place. Without the whole factors,

there would not totally realize Chinese property rights and its collective system.

2. The Methodology

Methodology is related to the subject of a study. First, although the land reform in China is really a challenge for the economic theory, we must start our study from empirical analysis. Second, as the aim of this paper framed by the two basic points shows, the property rights are different in rural and urban areas. Further, the government has played a very important role in the land rights system. The empirical work done by others and ourselves also will help illuminate a lot of issues that we raised. This work has focused on several key areas: a) explaining the land-use right problem which is existing in urban China b) identifying the effects of the collective system on rural China; and c) explaining the criteria by which land is allocated under collective system. .

Writing this thesis is a process by which I take an active part in the debate. The study draws on published literatures, and the field work in China. The field work was done during two periods. First and foremost, one was from late March to early April. The other was from middle April to the end of April. In the late March, the fieldwork was mainly in Wuxi. The field study in second half term of April was in Huaxi Village. The methods of the fieldwork were mainly three: Participant observation, individual interviews and community observation. All this means I took part in Jiangsu Province, with the help of one good friend Zhou hai who is now the village official in Huaxi village. The reason why I choose these two cities is that they are both in Yangtze River Delta, which is a good area that can show how is the role Chinese government playing in the whole land reform process. Both these two places are rich, but what I preferred to show was the problems under

this rich cover, and what people's feelings are. Moreover, Huaxi village is called the "No.1 village in the world". And it is famous for its traditional "Chinese collective system". Currently, I found that in Huaxi village, farmers seem to enjoy relatively long-term security and most of the rights typically associated with an individual property regime, short of being able to buy or sell the land, but this should be based on the collective system. Anyway, everything can not be quantified or graphed and the individual interviews are notoriously hard to replicate, but if one is aware of the benefits and weakness of each method, they can provide useful information.

2.1 Participant Observation:

Participant observation with Chinese farmers or rural people was conducted. The aim of this was to collect the qualitative information about their feelings, life style and if they are happy with the collective system. Through cautious participation and observation of the farmers' daily and routine activities, I had found out what they most rely on to their life and tried to find what the collective system can influence their life. I associated with rural people in Jiangsu province through the help of the community outreaching social work teams and friends. I asked them to introduce me to farmers and rely on a "snowball effect" to approach to the topic. This means making friends with more and more farmers and then asking them to introduce their friends to me.

2.2 Individual interviews:

Individual interviews by the structured questionnaires were used to collect information about citizens. The interview was especially important for examining questions like "What are you feeling about your land use right now and if 70 years later, it will no longer be yours, how do you think?". I also attempted to interview some local government (people who work in the street) to try to find some different ideas from them. And of course, I had also prepared some small gifts for the interviewees.

2.3 Community Observation:

In order to collect some information about the physical features of Wuxi and Huaxi village, the systematic observations had been implemented by several community surveys of the physical settings, We measured the happiness of environmental features suggested by farmers as significant to test what they think about the collective system. And I also checked the new feelings of farmers about land privatization. Through comparing the physical environment of the different areas(Wuxi, Huaxi) the different environmental influences on the opportunity for the degree of influence can be gauged.

2.4 The Surveys and Fieldwork

The data that I drew on in this paper come from two main sources, one was by interviews and questionnaires with people in Huaxi village and Wuxi. The other was by my firsthand experiences of staying in Huaxi village for two weeks. First and foremost, I decided to implement purposive sampling when choosing the interviewees due to the fact that it is only had 5 weeks total in Wuxi and Huaxi village and I had not planned to start interviewing until I became acquainted with the program, the daily operations and the people of the village. The current sample cannot be regarded as generally representative of China but Wuxi is a typical city in the Yangzi Delta and Huaxi village is regarded as a model for all villages in China.

In Wuxi, I conducted at least 150 interviews, including teachers, doctors, sales in property companies, leaders of real estate research institutions, businessmen and scholars in the university. As urban area has developed very fast in China, my purpose to do these interviews was trying to find out if still there are any land problems in today's urban China. Moreover, it is a good way to check if there are some big problems that Chinese government has ignored. And from all the interviews and questionnaires, it is interesting

that , one problem is mentioned in all interviews, it is about the land property right. So in this paper, I will use this interesting topic as the main study.

In Huaxi village, firstly, I elicited a broad array of detailed data from the village leaders: the Party secretary, the chairman of the village committee or the village leader, and the village accountant. The leaders were chosen because they were generally most able to answer questions about current and past village institutions. The main sections of survey instrument included sections on farmers' feelings, collective ownership, land management, local industrial management, periodic markets, agricultural input and output markets, and the local political environment. I asked for information in 2 weeks, about 7 households per day, and for changes since household farming was reintroduced. They answered detailed questions about their feelings about the collective system and the coming new policies, and timing of the village's land readjustment, and about each village's rental activities and related institutions, including local rules concerning renting, how many households rented land in and out, who participated, and how much land was engaged in rental transactions. And furthermore, I visited the industrial enterprises, farmlands, shops, agricultural productions and villagers' homes. The purpose of investigating in this way was to understand all the activities in the village collective and their inner links, and to "dissect" the framework of the village economy. I also talked with villagers head down to managers and workers in industrial enterprises, normal villagers, and even outside laborers working in the village factories whenever I met them during my various daytime visits. Because I spent the whole two weeks in Huaxi village, many farmers, managers and normal villagers became relatively familiar with me and even came to talk all the time. Some people talked about the past lessons and the future plan for the Huaxi's development. Most talks in Huaxi village were informal and without writings, otherwise they would not have talked with me so casually. By staying in Huaxi village and talking freely, I shared in the villagers'

daily life and got to know how this village economy was run as whole on a daily basis and it seem the collective system has played a very important role in this village.

3. Theoretical Framework and Literature Review

3.1 Griffin's Poverty and the Distribution of Land

Land reform always attracts the attention of many policy makers and scholars, that also includes Griffin. Griffin believes that there are four main types of land tenure systems that one can observe throughout the world: first is cultivation of the land with household labor by peasant owner operators; second is cultivation of the land by the landowner with the help of hired labor (both seasonal and permanent) at fixed wage rates (Griffin 2001); third is cultivation of the land by a tenant who pays the landowner a fixed rent for the use of the land; and the last is cultivation of the land by a tenant who pays the landowner a fixed share of the output for the use of the land. "Each tenure system, at one time or another, has been the subject of criticism. (Griffin 2001)"

3.2 Theories of property rights

According to new institutional economics, today's world is a competitive society, there must be some kind of competition rules or standards to solve this conflict, these rules are known as property rights, it is composed of laws, regulations, habits or rank position (Ichian, 1965).

There are many explanations of property rights by new institutional economics. Coase (1960) explains the property rights by the relationship between property rights and powers; Alchian (1973) explains the property rights from a legal perspective; Demsetz (1967) focuses on the function and

role of property rights in the social system to explain the property; Barzel (1989) explains property rights by the perspective of economic analysis, and he argues that because transacting is expensive, because of the economic matter property rights are not fully delineated. In short, the new institutional economics concepts of property rights include at least the following elements: First, the property right is a kind of power, it is a power that can be used for some kind of economic item, scarce resource, or the trade-able object, and this power is achieved through coercion. Second, the property right is a behavioral choice. Third, the property right is also can be defined as a set of powers, at least include the right of property ownership and all other rights which consequent from this right. These powers can be unified in one body, and also can be decomposed and belong to different subjects, namely the powers contained in the property can have different permutations and institutional arrangements. Fourth, private property right is exclusive and transferable, and this property rights are not absolute, is variable. Fifth, the boundary of property right is not infinite, that external influences make property rights must have certain boundaries. Meanwhile property is flowing, that can be traded through the market.

So what is land property rights? Property right economics explanation is that the property right in fact is the choice in a series of exclusionary behavior. According to this thought to understand the meaning of land property rights, namely, it should be the choice in a series of exclusionary behavior related to land.

Originally, people think that if an individual has the ownership of land, it means that he can make the decision for the land use. To be sure, the use of private land property right is exclusive; without permission, land cannot be used by any others. But in reality, owning the land does not mean that he is free to develop or use this land, it has many restrictions. For example, the land owners can not be engaged in illegal planting on his land or unlawful activities such as training an army. From a technical perspective, the

development of land such as to build a house, will be limited by the construction technology, construction materials and their own economic capacity. From the perspective of the urban land utilization, almost all the countries and regions in the world have controls on the use of land, mainly for urban planning control, such as the building height, building plot ratio and building coverage, etc.

Second, because the land is a kind of multi-purpose material assets, the contents of the land property rights are very complex, generally can be divided into: (1) own the land (2) occupy the land; (3) working on land; (4) have constructions on the land ; (5) from underground mining mineral deposits; (6) over the land, (7) obtain income from land ; (8) sell, exchange, lease the land; (9) give or used for mortgage, etc. Which the ownership of land and other rights are mutual constraint and restriction. For underground mines, countries and regions have different rules. In many European countries, underground resources belong to the state. In the United States, while the land owners have all the wealth of underground, land owners are free to engage in mining of underground resources, and to sell it to others. However, compare to China's "collective system", US government seems more "generous" for their citizens, and give more freedom to the property rights.

In addition, the boundary between two lands involves externality. Externality on the space mainly includes two kinds of relationships: First is the influences between the ventilation, lighting and drainage; Second is the harm by dangers. Externalities occur not only between factories and residents, and between the resident within groups and producers are also often happens, in addition, air and noise pollution caused by the transportation system are also can not be ignored. For such problems, Coase notes that that if trade in an externality is possible and there are a zero transaction costs, bargaining will lead to an efficient outcome regardless of the initial allocation of property, but the Coase theorem is not deny the

possibility of government intervention when high transaction costs (Coase, 1960). "If property rights are clearly defined and the transaction cost is zero, no matter who owns the resources, then the way of resource utilization are the same." So, the Coase theorem(1960) shows that if the transportation industry can get more money than farming industry, no matter who owned land, the land will be used to repair the railway instead of cultivation, no matter how the initial configuration of land property rights.

In the real world, land property rights can take various forms, one is private property rights, the other one is common property rights. In private property rights, the boundary of the rights are intrinsic to the size of the land itself. For their owners, these rights are exclusive, can free transfer, the income gained from these rights are not affected by laws or regulations."The rights of exchange means the rights of contract, and property rights can be traded through different contractual arrangements. Of course, why these rights are traded, for owners, the purpose of trading is to get a higher income, and transaction costs is the limited conditions by the choice of contract." (Zhang, 2000). In this sense, the price control, levy taxes and the restrictions on transfer, can be regarded as infringement of private property rights. For the common property rights, there is no boundaries and frame, anyone has no right to exclude others, everyone can freely compete for the use of this property. Therefore, if there were no exclusive right to use, no transfer rights, it is impossible to have any net income from the use of common property, it can be called as "rent dissipation".

Ostrom (2000) debates the private and common property rights. She argues the discussion of private and common property rights has been clouded "by a troika of confusions that relate to the difference in three aspects: (1) the difference between common property and open access regimes, (2) the common pool resources and public property system, and (3) the resource system and the flow of resource units. Property right is an enforceable authority to take specific actions in specific areas. Access rights,

management, withdrawal, exclusion and alienation can be divided into different persons as well as being viewed as a cumulative size moving from the smallest right of access through possessing full ownership rights.”(Ostrom, 2000) All of these rights may be held by single persons or by groups. Some attributes of common-pool resources are conducive to the use of communal proprietorship or ownership and others are conducive to personal rights to management, withdrawal, exclusion and alienation.

As we know, China is the socialist country, so normally there is just common property in China. In order to better understanding the different ideas of property rights, the approach of USA’s private property has been used in my next part.

3.3 USA Case

3.3.1 Private Property in USA

Private property is an institution with the development of a long time, and has experienced many changes. Accounts of the land use in the 1800s, when private property had attracted the attention of anthropologists and socialists, believed that private property is a system that like Freyfogle(2003)said “naturally over time in a unique and predictable way from rights held by people in common to rights that [gave] extensive, exclusive rights to individuals.”

The view is supported the belief that personal property ownership was the state of order for society that emerged from increased economic flourishing and more complex social practice. Some people think that property rights was a teleological final state for advanced society and provided the greatest satisfaction for the community of individuals.

In the early 1900s, the new scholarship(Freyfogle, 1998) concluded, “in the beginning of the property, all cases could not be examined in whole society, including tribal economies to embrace Stone Age, in which individual

ownership did not exist.”

A main point of America’s private property is that there is a conflict between perceived heritage of property right in many land owner and the history of the current system and based on practice. One assumption made in the classical conception is that individual property right are a static tradition(Freyfogle, 1998) and that the practices of the current generation of landowners follow from a uniform right to the land which has been consistent throughout its history of ownership. Another conception is that the main purpose of individual property is a personal freedom, and this kind of freedom means the right to do is what normal people hope to have. A third conception is that when a person owns land, the person also holds all rights to all aspects of this land and has absolute authority for decision attribute on the land property.

The popular cultural attitude about land ownership is pervasive in the 21th century of United States,which is separated by the field between public and private , the private interests of private is a strict. Issues such as limited natural resources and the habitat of splitting point to areas in which what happened in private land has a huge impact on the wider land community. What happens in private property protection is vital to the future, and it is very important to interpret what it means to their own land, and also responsibilities as well as rights.

When the history of US’s individual property ownership is carefully checked, it is revealed to be a dynamic unfolding institution that changes to better serve a concept of public good (Freyfogle, 1998). In addition, some lands can be said completely private and public, but more and more understanding by the combination of ownership interests. Furthermore, there are a lot of interests is usually decided by individual land parcel, and a basic moral issue is involved when considering the legitimacy of the interests of others and the scope of the land.

3.3.2 The Rights of private land owners

Despite the contention of landholders that they have absolute ownership of their own property, there is an interesting reciprocity between all landholders that illustrates the illogicality of this claim. A landholder's rights must be right by his neighbors. This is to say, the ownership of land to provide more than the use of land rights; it also can be complained when other landholders interference with a person's quiet enjoyment of his private property.

If a system existed in which one person possessed absolute power to do as what he wants with his land, the fair would require that all other landlords would possess the same right. So, no one will have the right to contest another person's usage. The converse of this possibility will be a system in which each person can halt any land use which he or she finds even slightly disruptive to his or her own activities. In other words, neighbors will also have the rights to prevent the individual land use activities, and ownership powers must be also limited strictly. Among these examples, it is evident that neither scenario is consistent with land use as it is generally understood(Freyfogle, 1998). Both are very different than our usual understanding of private property rights, however, they all have the same restrictions. Land use is practiced in the United States as it is a hybrid of the two approaches, which means the people have the absolute ownership of their own lands but they also should consider about others like neighbors, and a middle ground on the continuum of extremely autonomous to extremely restricted property rights(Freyfogle, 1998).

The preceding examples illustrate an important point about governmental regulation of individual property rights(Freyfogle, 2003). Usually when a loss of private property interests in a legal battle , the results of their property restrictions on the use of adjacent property interest are maintained.

Nuisance Act provides a forum for disputing any events in which an owner of land use, resulting in substantial, unreasonable damage neighbors. As Freyfogle(2003) states, “one of the world where the landlords can do whatever they want , the property is actually frangible.”

One case is from Freyfogle’s (2005), one suggestion to a Central-led Animal Feeding Operation (CAFO) by landlords on 960 acres of farmland of Iowa. Supporters sought an agricultural district designated to provide legal protection to support operations, which would accommodate the thousands of animals in an intensive use of facilities. The provide was designated by the county bureau and two neighboring families filed suit to have the designation removed. The neighbors think such an intensive land use could interfere with the enjoyment of their properties and also have an adverse affect on the property values. Agricultural area designation would prevent neighbors, from use of law to complain about any smell, the waste problem, or pests CAFO operation. Families argued they should take the legitimate rights of compensation to enjoy their property, and also the designation should be deleted.

In order to settle the dispute, the Iowa Supreme maintaining the families’ statement and eliminating the agricultural area design, making the CAFO immune to lawsuit under nuisance law. In this case, by looking for the neighboring families, the court’s decision was neither for nor against private property rights. On the other hand, the regulation upheld the private property interests of one group of landlords at the cost of the landlords that wanted to build CAFO. This is an important example because the private property rights are usually used as a rallying point to against the influence of government. Developers and industries always use the defense of individual property rights, in order to reduce their own regulatory impact.

From The US’s case, we can see that private property is a tradition that has emphasis on the individual freedom to control holdings is not affected by

governmental intervention. A strict distinction between society as a whole and individual rights is secluded, that means the private property is isolated from the conception of public interest. The dualistic framework does not include the possibility of a property in the form of incomplete into either category. In china, it seems different in terms of both urban and rural private property.

3.4 Types of land ownership and different property rights in China

There are two types of land ownership in China: collectively owned land and state-owned land. Generally speaking the former is owned by groups of peasants. Urban land and other land is owned by the state. There is no private land in China.

The mainly use of State-owned land is for urban residences, industries and infrastructure. According to the concept of state-owned land, allocated land use right and granted land use right are two ways that a construction unit obtains the land use right in China.

The conversion of rural land to urban land is entirely controlled by Chinese government through eminent domain, it means the government can expropriate farmers' land all the time. Collectively owned land can be developed until it is acquired by the government (see figure1) It is the government who could claim the revenue generated by land use change.

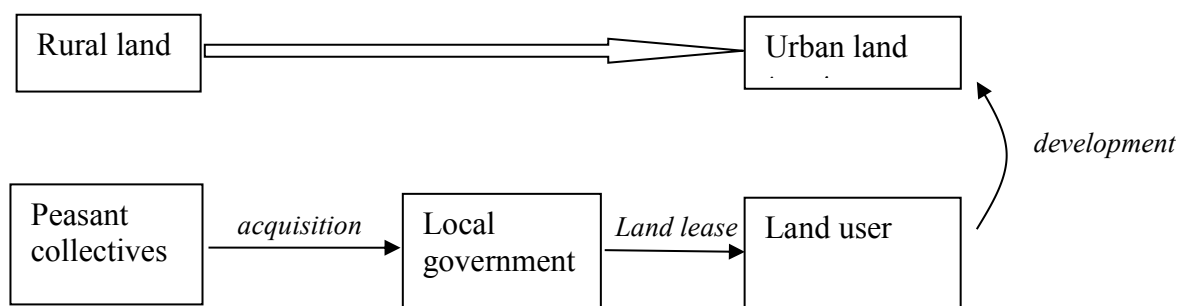


Figure.1 From Rural Land to Urban Land

As we know, Chinese rural population was engaged in both agricultural and non-agricultural activities before the reform and until now. Township and Village Enterprises, which mainly produce non-agricultural goods, emerged in late 1950s, but until late 1970s they were called commune-brigade enterprises. In the 1950s, collective ownership both in agriculture and non-agriculture in China's rural places was established compulsorily through the assertion of government political power. All people in the village or township, without any compensation, had to put their land and other productive assets into the village or township as collective assets, and they had to become members of the organization and work collectively with other members. Irrespective of whether they worked hard or not, they could always be a member of the organization and derive an income mainly according to egalitarian principles(Flemming,1993). It was impossible to leave one organization to another.

3.5 Land Use Rights in China

Before the start of economic reform in China, the traditional way for government agencies and state-owned enterprises to obtain the land-use rights was applicable to government and access to the distribution of a piece of land.

The acquisition of land use right was normally free, but it should pay the compensation to farmers if the land comes from farmland(Yan 2001). The compensation was actually independent of the market value of the land(Yan 2001) in a particular location. The land acquisition in this way was called a distribution of land use right. In general land use right can not be traded. Today, the holders need to pay the land use fee every year.

The innovative way to expand the land use rights was created as result of

market economy(Yan 2001). Holder of the granted land use right needs to be paid a lot of money to the land-grant for government to acquire it. The market value of the land grant fee is largely different in different positions. For instance, the land-grant fee for land at the city center is much more expensive than that for land in the suburban district.

And with term of land use right, the holder of the granted land will also has the right like original owner. Then the land can be transferred or borrowed. Unlike the holder of allocated land use right, normally the land user with the granted land use right do not need to pay an annual land use fee. While exceptionally in some cities both the allocated land user and granted land user need to pay the land use fee, and the cost of granted land user is usually much less.

3.6 The change of properties structure of China's land reform

3.6.1 Chinese collective land system change and a new round of land reform

The transformation of the land system and rural organizations in China from 1949 to 1978 was an integral part of the planned system and the heavy-industry-oriented development strategy copied from the USSR. It was hoped that the collectivization of land and agricultural reorganization would not only assure a greater degree of state control over agricultural surplus, which could be invested in heavy industry, but also provide a prime means for increasing agricultural output(Eckstein, 51)

From 1949 to 1978, the characteristic of Chinese collective land system was the central government-led changes, and the mainstream ideology determines the direction of this changes, including three stages of land reform, cooperative movement and the people's commune movement. In the late 1970s, China began to take the lead in economic reform, pioneered by rural reform. China broke with the lessons of the Soviet doctrine,

introducing a home-based contract system, which is called household responsibility system. Since then, family responsibility has been used in a very long time. Honored as the National statutory model, the household responsibility system has proved a great success. There is no doubt that the system has not only given farmers freedom of land use rights but also the decision-making,

3.6.2 Theoretical debate on further property rights in China

In the mid-1980s of China, when the household responsibility system began to exhibit problems, China began to seek new ways to improve its agricultural institutions under calls for the second phase of rural reform. In this process, different opinions and suggestions or even disagreements have emerged. There are considerable influence of debate between contrasting viewpoints , not only on the development of theory itself, but also on reforms in practice.

In 1980s, the main discussions were focused on whether collective ownership should be maintained and what form of property rights could be adopted(Lin, 1987). Two different ideas attracted the academic attention. Some economists advocated nationalization of farmland. Their central idea was that State-owned farmland with personal life tenant system may be the right solution. They noted that collective ownership of agricultural land did not really exist in practice of rural China: The so-called collective system of rural collective has never been under the proprietary rights on the land. In the commune era, the collectives were prohibited from selling their own land (except to country) or from buying land from other owners. Agricultural products could only be sold in the country's commercial organization with a very low prices; thus farmers were deprived of the rights to benefit from aquaculture. Farmers' land use rights like the production decisions were also weakened by the rigid national procurement system. And with the household responsibility system, peasantries still have no full rights on land. They lacked the right of the land transfer contract, and

their rights to use their own land were further weakened by administrative intervention and ongoing procurement of state. Due to the violations of property rights, the State had been the real landlord as it was the largest landlord in rural China (Din and Cheng, 1994). Economists believed that if public ownership was like a doctrine, it should give up the name "collective" for state-ownership, in order to live up to the dogma (Cheng, 1994). Through the nationalization of farmland, farmers would be granted permanent land use rights (Cheng, 1994). They could trade their land and use their rights. Although the farmers would not be landlords, lifelong tenancy in effect could be as efficient as owner cultivation (Din and Cheng, 1994).

Although these views are persuasive, the farmland nationalization thought was not able to be accepted by the public. The first problem was financial. They asked if the country needs to pay the land transfer effect. Even though the ownership of collective farmland is fuzzy, it was unlikely that the government could acquire the land free (Cheng, 1994); it should at least pay part of the total price. The government would also have to think about the social and political risks. In addition, the opponents would suspect that the State would be able to manage farmland as well as collectives do (Cheng, 1994). Some economists strongly criticized the idea of land nationalization to return to abolish the commune system; others thought it was a kind of half-private ownership. Because of the strong oppositions, farmland nationalization was unable to be implemented.

However, a second group of economists was willing to accept the critique of collective ownership, and instead of farmland nationalization, they supported private ownership. They believed that only private farmland ownership could overcome a series of problems. In order to support for their ideas, some theoretical supports have been found. First of all was the theory of Karl Marx, the founder of socialist thought that socialism would be able to rebuild the society on the basis of socialized individual ownership.

Therefore, some argued that the vital difference between capitalism and socialism is whether the main production means are belong to a minority of people or by all people- the former case being socialism. They argued “for a break with the theoretical doctrine that socialist ownership could only be through State and collective ownership.” (Li and Li, 1989; Lin, 1989)

Farmland personalization concept was put forward against the traditional theory. In fact, it is very hard in practice. Beyond China’s current political environment, a lot of objections need to be answered. First of all, it is controversial that whether individual ownership of land is really a new concept of socialism or just the same as capitalism; so if there is certainly no consensus on this point, many people would not agree to the above-mentioned new socialist ownership(Cheng, 1994). Second, many economists do not agree that land privatization is a proper solution to solve the existing land problems in China. Given the Chinese historical experience, they even believe that the situation could be further deteriorated if individual ownership land come true (Cheng, 1994). Third, although the individual sector was ordered to immediately eliminate , the reconstruction needs to be planned and considered very carefully, a hasty transition may take a lot social and economic risks. As an example, the problems encountered in rapid land privatization in the former Soviet Union and Eastern Europe countries were recorded (Nikonov, 1992; Peters, 1995). In addition, a survey from Xia (See Table1) indicated that Chinese farmers did not show much interests in land privatization. Only less than one fifth of the sampled farmers agreed to this idea, nearly 80 percent had a negative attitude. The reason why so many farmers do not agree with the land privatization might be that lots of Chinese farmers had greatly suffered from the lack of land over several centuries. They may want to avoid the unpredictable risks related to land privatization. However, there is perhaps also a feeling of contradictions: they prefer the current selection in the form of collective ownership while they are not satisfied with the current system, because they may want to get more property of their land. It is really a need

for a more updated review of farmers' attitudes on this issue,so in my empirical part, I also do interviews with the farmers in Huaxi village.

TABLE 1
Chinese farmers' attitudes to land privatization

Income level	Support for land privatization?		
	Yes	No	Unknown
	(<i>%</i>)		
Lowest	23.1	73.1	3.8
Lower	9.6	86.5	3.9
Middle	12.8	79.1	8.1
Higher	13.3	77.9	8.8
Highest	13.9	74.4	11.7
All villages	13.5	79.0	7.5

Source: Xia, 1992.

Along with the development of the theoretical debate, a third group of Chinese economists argued that it was more feasible to improve the land use rights than to change ownership of the land. They believed that both these two methods, namely nationalization and personalization, strongly overstressed the concept of ownership as the only key point of property rights. From the modern theory they argued that ownership was only one part of property rights. Other parts include the rights of the consumer income and alienating assets (Barzel, 1989). The purpose of property rights is to define the rights and obligations of the participants to share the benefits of the asset. If no clear property rights, participants could shoulder burdens for others and this could lead to a series of problems like free riders and moral hazard. According to the theory of property rights, China's rural land ownership is clear, but peasants' property rights are not complete. Land is

owned by peasantries collectively rather than personally, but the land use right is granted to peasants as persons. In theory, peasantries should have an exclusive right to use, which should mean free to trade, to get the income and to use the right at their will. In practice, however, peasantries' land use rights are not enough. Their rights to trade and to get income from land were limited by the government's procurement system and distorted prices. In addition, the government even prohibited the peasantries to transfer their land use rights. These shortcomings and the problem of frequent land redistribution, led farmers to think that they were only the nominal owners, not the true owners. Due to the ambiguous situation of farmers' land use rights, their incentives to look after their own lands were considerably weakened. Furthermore, as the land use rights still can not be traded(the new policy will be implemented in at least 2015), it is limiting the development of land markets. Therefore, the new policies will be implemented soon, but the problem of land fragmentation is still very hard. Though it is hard to change the ownership of land, there is still a huge space for improving the system of land use rights. Now the first thing is to clarify peasantries' property rights so as to promote their production incentives and prevent further fragmentation of farmland.

From the above comments, obviously, Chinese economists agree that there is a need to further define the property rights of land, but they have different opinions on how to implement it. In the absence of a recognized method, the ideas of the third group of economists are considered as the best, which have less social and political risks and are more acceptable by the government. At the insistence of the collective ownership of agricultural land and land use rights of the principles of reform, the government has introduced a series of policies. For example, residents were allowed to exchange their labor with others and to hire a limited number of labor for farm work in 1983. In order to provide better incentives for land investments, the leaseholds were extended to 15 years in 1984 and 30 years in 1995. In the early 1990s, farmers engaged in non-agricultural business

were allowed to lease land to other peasants in order to prevent the land from being idle. At the same time, the Chinese government also encouraged more flexible measures to be implemented at the local level. And today, the government is trying to publish a new policy for the land use to farmers, by which they can freely trade their lands. In my field work, I related to these theories and new policies in Chinese towns and villages. In a word, China is actively seeking a suitable model to guide further land reforms.

4. The Findings reports of one city and one village

4.1 Wuxi city

4.1.1 Basic Conditions and Resources

It is now a city directly under the jurisdiction of Jiangsu Province. Wuxi has under its jurisdiction Xishan, Jiangyin and Yixing Cities (county-level) and Chongan, Nanchang, Beitang, Suburban, Mashan and New Districts. The total area of the city is 4950sq.km. and the population 5.73 million by the end of 2013, of which 1.9 million are in the metropolitan area. Wuxi is listed as one of China's 15 key economic centers. It is also one of the 50 cities in China with powerful comprehensive strength, and among 40 cities in China with excellent investment environment. Wuxi has formed a processing system with complete category and powerful support capability. Its key sectors of industry include those of machinery, electronics, light and textile, metallurgical, chemical and pharmaceutical industries. It has also become a modernized industrial city with large scale and high standard along China's coastal areas. In 2013, GDP of the whole city was 80.70 billion yuan and its public revenue 24.72 billion yuan. Its per ca-pita GDP sup-assed 124819.12 yuan, which continued to rank the first place in Jiangsu Province.

4.1.2 An incomplete land system reform

On May 19, 1990, the People's Republic of China(PRC) State Council

Decree No. 55 “Provisional Regulations for the Provision and Transfer of PRC on Urban State-Owned Land Use Rights” was announced and promulgated, with No. 12 of the regulation stipulating: the highest number of years of land use rights are to be determined by the following applications: residential use for 70 years. The government regulations stipulated that the state, companies, and individuals can pay and trade usage rights.

Although the “land use right in 70 years” issue suffers from controversy now, it is not hard to find that from the prohibition on the renting or selling land to the new policies that allowing the land supply and sales, this is undeniably a iconic progress in the process of economic development. “70-year of residential land use” itself is an important result from land system reform.

Although it is different from US’s land use, but when we take a look in East Asia, in fact, having time limits on land use right is not only in China. In the early stages of planning system, it was influenced by Hong Kong’s land-use and trade/sale system. Whereas in Malaysia, Singapore, and other East Asian countries, the transfer of land-use rights rather than the actual land ownership is common, the difference is only in certain limits. So China can follow what these countries have done, then the expansion of land use right will not cause serious social problems or infringement of the legitimate interests of property owners.

4.1.3 A typical case about property rights problem in urban China

Qing Zhou, one of my interviewees who just recently purchased one commercial housing in Wuxi, initially did not consider what would happen in 70 years, until he inadvertently saw the “Chinese State-Owned Construction Land Supply Program (Trial Implementations)” . He showed his property ownership certificate(See Picture1) to me. In this legislation, it

had a clear regulation “when it is time for the expiration of paid land-use, land-users who need to continue to use the land must apply for the continue use with the land management department at least one year before the expiration time, and those who did not apply or who applied but not yet approved must be returned their land use rights to the government without compensation.”

土	使用权来源	出让
	用途	住宅用地
地	地号	
	宗地(丘)面积	293728
状	使用期限	2007年10月10日至 2077年10月9日止
	总面积	
况	其中	独用面积
		分摊面积

Picture1. Qing’s Property ownership certificate

“Expiration time”, “be returned without compensation”, “70 years” such wording made Qing begin to worry about the fate of his home. In thought, one day the house which his whole family had spent all their money in, may not be his. Qing’s heart was full of worry. “After 70 years, is my home still my own? Or in other words, what I should do let it continue to be mine?” This is a problem that each private property owner has to face.

In China, the longest time for land-use rights is 70 Years. After these 70 years, the land is to go back to the country while the buildings on that land still have their owners. However, it just like “with the skin gone, where does the hair adhere to”, therefore, the expiration of land-use rights in fact means that the ownership of the whole building, and this is why people worries about “After 70 years”.

According to the newest provisions of No.149 in the “Property Law”, in the expiration of land use rights for residential construction, it shall be automatically updated. And according to the provisions of NO.22 in the “Urban Real Estate Administration Law”: in the provisions of this contract expires transferring land use rights, land-users who need to continue to use the land shall be submitted to apply for the extension of the land use prior one year before the expiration , and all the land that need not be reclaimed in accordance with the public interest should be approved. When extensions , the owners must sign a new land use rights transfer contract, and pay the land transfer fees in accordance with the relevant provisions.

So it is clear that in terms of laws, the buyers shall have the right to apply for and obtain to expand their land use right expires, but there is no specific provision in the law to provide the terms of the standard or the cost of the program to expand the land use right. This vacuum in the laws without doubt leaves people space to imagine, “when it is extended 70 years later, just how much we still have to pay for the house or land?”

4.1.3 Various speculations about what will happen after Land-Use Rights expires

To reapply for land use right requires paying an extra land use right transfer amount, but how much need to pay is according to the guidelines, and whether or not owners who possess residential property rights are willing to pay it, and what if one homeowner does not want to pay it, then how is the building on the land supposed to be handled? At present, no governmental policies can answer this series of problems.

Some people think pessimistically that when the land use right expires in 70 years, this would be a situation where “the building on the land that the government will compensate”. After all, the value of buildings drops with

the passing time but the value of land is completely opposite. However, this social and economic costs involved in such processing are too big, and with another my interviewee the Wuxi SouFang Real Estate Research Institute Vice-President Shen Tao's view, this is unlikely to become a general method to deal with the problem.

Tao believes that, in accordance with the "automatic updates/extension" the spirit of "Property Law", to ensure that the legitimate rights of property owners ought to be the starting point of legislation and this possibility is very small as the land would be simply reclaimed or that people would have to pay for the cost of land based on its market price at the time. "The government will adjust the policies in a timely manner, and a relatively complete and fair law/legislation would be issued before most expiration of land use rights." So the problem now is how the government can divided public's panic about the 70 years land use right, and let people know they do not need to worry about if the land is owned to them or the government. Though China cannot do like US, some Eastern Asian countries' cases can be helpful for today's China. However, Chinese people should conscious that "What will happen to land use rights in 70 years later" is not only a personal problem that property buyers are concerned with, but also a problem that must be answered for continued China land system reform and development.

4.2 Huaxi Village

4.2.1 Basic Conditions and Resources

Huaxi village is located in Huashi township, Jiangyin county, Jiangsu province, claims to be the richest village in China. There are 386 house holds, 1560 people in the village. It covers an area of 0.96 square kilometers.

4.2.2 History of development

Huaxi village calls itself a model socialist village. It is known as the “No.1 village under the sky.” In 2009, Huaxi village was selected as the “No.1 village” in China by World Records Association. In 2004, the per capita income was 122.600 yuan in Huaxi village. In 2010, every villager’s deposit came to 6 million yuan-20 million yuan.



Picture2 NO.1 village Huaxi village

4.2.3 Land system in Hua xi village under collective system

A desired land reform is rising in China, where a unique land system hindered this urbanization process. If farmers will be granted rights to more money by trading their land is the key to revitalizing the rural economy and speeding up urbanization the government has been pushing for years. Details of land reform are showed from the third plenary session of the 18th Communist Party of China Central Committee.

The land system is a basic institution that affects a country's overall economic development. “The ruling party's decisions on the land reform has

changed the current land laws and regulations.” said Zhang yu, vice leader of Huaxi village.

He also argued that according to old Chinese law, the urban land was owned by the state and rural land was under collective ownership. Farmers can only use the land but have no right to trade it, but now this is about to change.

In fact, since the 1990s, the real estate market has boomed in cities and has become the main engine of economic growth, but ownership rules for rural land has not changed for decades, impeding the development of rural areas. It is also one reason that speeds up the urbanization. So I asked Zhang, how does he think about the urbanization in Huaxi village. He directly led me to the outside of his house and let me look at the place he wanted to show to me. From his guide, I have seen a skyscraper. He introduced to me, “This is our landmark building of urbanization. The height of it is 328 meters, the world 15th highest building. and in 74-story, there is a five-star Longxi International hotel. This skyscraper cannot only help to reduce the pressure on the village caused by limited land but also be raising living standards of our villagers. With this step, our village aims to accelerate the urbanization process, which makes living in a village the same as live in big cities.” In our interlocution, we also asked what is the key to Huaxi village’s success, Zhang said “The key to Huaxi’s success is relied on the collective economy featuring common prosperity . And this is what we must adhere to,” He said he believed in socialism and regarded the common prosperity as one of its features.

However, I also visited other people when I stayed in the village. There were someone has different view about Huaxi village. One is Yang quan, who has worked in Huaxi village for 10 years, but still did not get into the Huaxi village. He gave a very simple reason: “The collective ask you do something you must do, when it asks me to sweep the toilet, how I can do?” It is really the true situation in Huaxi village, we just can see the collective, but no

individual, only the leader's order, no personal thoughts. So in my opinion, the Huaxi village may not be as rich as it is now if there had been no collective system, but it is really hard to say it is good or bad.

And in the new surveys, it indicated that Huaxi farmers were totally not agree about the land privatization(see Table2). In this survey I had visited 100 house holds, as the income is very close in Huaxi village, so I did not divide it into groups. And in our survey, these 100 house holds were all not agreed with the land privatization, in their mind they are a group, no individuals. What we think the reason may just like Zhang said the villagers believed in socialism and regarded the common prosperity as one of its features.

TABLE 2. Huaxi farmers' attitudes to land privatization(N=100)

Support for land privatization?		
Yes	No	Unknown
(%)		
0	100	0

4.2.4 Village Land Allocation Criteria under Collective system

Based on the village-level survey work, it shows that land is allocated to households on a per capita basis, may adjusted for differences in demographic composition (Putterman, 1992). Using household-level data to analyze village distribution rules is limited. Burgess (1997), using SSB data on more than five thousand families from Zhejiang and Sichuan province for 1990, shows that “demographic variables and village dummies explain 75 percent of the variation in household land-holdings.” All but a few

households in the sample have land. Allocations are not carried out on a strict per capita basis, but rather reflect the age composition of the household; children and old people receive less land. In this respect, the allocations resemble “demogrants”, land transfers that are a function of demographic characteristics of the family. Leaders also allocate persons working off the farm less land (Liu, 1997). Burgess (1997) argues that “this universal and egalitarian access to land was central to increasing calorie consumption in regions of China in which residents faced food markets characterized by high transaction costs.”

Using the data which was collected in Huaxi village, I produced results that are similar to Burgess in many ways(see Table3). Out of a sample of the surveyed households, it can be found that a slightly higher proportion of households that do not have land. In spite of this, controlling all systematic differences across the different households, I cannot reject that the hypothesis that cultivated land is allocated on average in direct proportion to the household size. The coefficients on the variables capturing the population structure of household, on the other hand, are usually irrelevant. However, when I add a variable represents the number of family members to participate in non-agriculture opportunities, I found that the families with members working off-farm get less land per capita. Obviously, villages are considering the importance of farming to the family, reallocating land from the partly non-agricultural families to those solely engaged in agriculture. In general, the explanatory power of household demographics variables is less than Burgess finds; they only explain some part of the variation in land-holdings between households in Huaxi village. One explanation of this finding is that factors other than demographic and labor supply variables in our sample comes to be more and more important for household land allocation.

Table3. Structure and incidence of farmland tenure types in Huaxi village

	Private plots	Responsibility Land	Ration Land	Contract Land	Misc
Share in Total Farmland (% of farmland)					
SSB survey(n=274)	6.2	84.5	8.4	--	--
Huaxi village survey(n=100)	1.2	92.5	2.5	3.1	0.7
Incidence of Tenure Types (% of village reporting)					
SSB survey (n=274)	--	--	23.0	--	--
Huaxi village survey	72.0	97.4	8.2	41.2	13.1

Notes: SSB source is from Burgess 1997; Huaxi village source is by our field work

While the result of the work is useful, it is done with imperfect data, it only addresses some of the issues, and is based on a very small sample in only one village of China. In general, much more work is needed in this area.

5. Conclusion

Chinese land property rights system is so different from Western countries. Western countries use more forms of private property, but the land resource is classified as common property form in China, although there are a certain amount of reforms, the ownership is always public. Under this common property right system, it appears a “dual” land system, and this is really full of a Chinese-style planning economic characteristics. Based on our field work in Wuxi, it is hard to define what kind of property rights is in Chinese’s urban place. It is same as private property in “70 years”, but after 70 years, the Chinese government have the right to land resumption. Moreover, if we relate to the Coase Theorem it maintains that as long as private property rights are well defined under zero transaction cost(in reality, it almost can not be true), exchange will eliminate divergence and

lead to efficient use of resources or highest valued use of resources. So can we propose a bold hypothesis: Chinese government is just planning to make new policies for land use rights? Of course, in this business, the government will get the maximum benefits. But on the other hand, the reform of China is gradual, so maybe this problem can be solved before the first wave of this “70 years” land use rights problem. And one suggestion is to extend the term of lease, maybe 150 years, 300 years or just like England’s 999 years. And based on the experience in Huaxi village, farmers are looking forward to the new land laws, but they are satisfied with the existing property rights system. So far, the government becomes slow to deepen institutional innovations in other areas to support for land reform. For instance, market signals are distorted, it leads to farmers' production incentives are weakened. The development of the land market, which would facilitate structural consolidation among the scattered small farms, has been hampered by the lack of political will to introduce effective land rights legislation. And from the Huaxi village’s case, it seems the collective system, or we can regard it as a modernization firm system, is one of the main factors to get rich in today’s rural China.

In sum, China is the socialist state, and one significant defining feature of the socialist state is the socialization of property rights that means the state-owned properties. Now China is on the way of “socialist market economy”, which cannot work without ownership rights. If something is not owned, it cannot be traded. The ownership rights can be considered as a series of rights: to use, transfer, lease, etc. The market economy is very flexible and experienced in dealing with these “partitioned” rights which may have a variety of definitions and boundaries. But the market can only function well when there is certainty about the definitions and boundaries. The challenge for China now is less about the analysis of ownership rights but more about the property rights between state and private. Chinese complex politics is the cause of opacity and uncertainty. This is that the new property right policy attempts to address.

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Appendix I: Interview Guide

Question 1: How old are you and what is your job?

Question 2: What comes to mind when you hear the new land policy? Do you know what will happen?

Question 3: Have you or any of your children been directly affected by the structured property rights?

Question 4: Have you faced any problem with the land property rights?

Question 5: What is your feeling about the 70 years land-use right?

Question 6: What do you think about if government will expropriate your land?

Question 7: What do you think if the government says you can trade your own land?

Question 8: What are the positive and negative influences from land policies?

Question 9: Have you noticed any changes in the village/city as a result of the ruling party's decisions on the land reform?

Question 10: What kind of land is yours?

Question 11: What do you think about land privatization? You are agree, or not?

Question 12: Do you feel that your quality of life will be changed as a result by series of governmental land policies?

Question 13: How is your feeling about collective system?

Question 14: Do you have any idea why the village is so rich?

Question 15: What are the biggest problems facing the city/village today?

