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Jiangyuan Lu

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POUR OBTENIR LE GRADE DE
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L'UNIVERSITÉ DE BORDEAUX

ÉCOLE DOCTORALE SP2 : Sociétés, Politique, Santé Publique

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Par Jiangyuan LU

TRANSITION OF CITY DEVELOPMENT IN CHINA

Sous la direction de : M. Vincent Hoffmann-Martinot

Soutenue le 20 décembre 2018

Membres du jury :

M. Guy TAPIE, École Nationale Supérieure d'Architecture et de Paysage de Bordeaux

Mme. Sophie NIVOIX, Université de Poitiers

M. Jean-Michel UHALDEBORDE, Université de Pau et des Pays de l'Adour

M. Vincent HOFFMANN-MARTINOT, Sciences Po Bordeaux

M. Ping ZHANG, Académie Chinoise des Sciences Sociales

Président

rapporteur

rapporteur

Examineur

Examineur

Titre : Transition de Développement des Villes en Chine

Résumé :

L'industrialisation et l'urbanisation rapides de la Chine ont été provoquées par un mode de développement déséquilibré: attirer des travailleurs migrants à bas prix dans les zones rurales et imposer des terres agricoles à la campagne, en les transférant à des prix constructifs. Les travailleurs à faible coût et les terres issues de la réglementation en vigueur ont été utilisés pour subventionner un parc industriel afin de promouvoir le niveau industriel et urbain des villes, ce qui a contribué à la croissance rapide de l'urbanisation des villes chinoises. Cependant, la transition économique et la croissance économique modérée ont mis fin à ce schéma déséquilibré. Le système foncier non orienté vers le marché a entraîné la création de bulles immobilières dans les grandes villes, les terres ayant été restreintes à des limites d'utilisation, et le gouvernement local a dû réaliser la citoyenneté des travailleurs migrants à un coût élevé lorsque le dividende démographique était épuisé. Le mode de développement de la ville doit alors être transformé en un système plus équilibré par les réformes économiques. Cette thèse analyse la transition urbaine dans le cadre de trois réformes: la réforme fiscale, la citoyenneté des travailleurs migrants, la réforme du système d'utilisation des terres.

Mots clés : Développement des villes ; Gouvernance urbaine; Développement déséquilibré ; Transition urbaine; Réforme économique

Title : Transition of City Development in China

Abstract :

The rapid industrialization and urbanization in China were driven by an unbalanced development mode: attracting low-cost migrant workers from rural areas and imposing farming land from countryside, transferring to constructive land by a reduced price. Both low-cost workers and lands from current regulations were used to subsidy industrial park to promote the industrial and urban level of cities, which contributed the fast growth of urbanization of Chinese cities. However the economic transition and moderate economic growth led to the end of this unbalanced pattern. The non-market oriented land system resulted in the housing bubbles in big cities with the land tightened by use limit, and the local government needed to achieve the migrant workers' citizenization in a high cost when demographic dividend exhausted. The city development mode then must be changed to a more balanced one by economic reforms. This dissertation then analyzes the city transition under conditions of three reforms: fiscal reform, migrant workers citizenization, Land use system reform.

Keywords : City development ; Urban governance ; Unbalanced development ; Urban transition ; Economic reform

Unité de recherche

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Victoire

Summary

China has experienced rapid industrialization and urbanization during recent years, thanks to a low-cost and local government-led industrial development pattern. The industrial and urban development pattern inherit from land restricted and residence limited regime, pushed down the land and labor cost. Based on low price land and low-cost labor, the local governments keened on constructing industrial park or special economic park, which contributed to large part of the local GDP statistics and local fiscal revenues. The low-cost industrialization thus caused enormous immigration from rural areas to cities, pushing up the urbanization rate in Chinese cities.

However recently China has stepped into “New normal”——lower growth and economic transition. These were caused by the rising labor cost and booming land price, while the land and residence regime could not hold up the augmentation of factor price. The former city development pattern encountered economic and social problems caused by the outdated regime, such as city housing bubbles, mass disturbance and residents-immigrants conflicts. Meanwhile, the industrial and land oriented fiscal revenues could not support the local government’s expenditure obligations, on the contrary, the local government had to cover a large amount of immigrant’s citizenship cost and to bear heavy debt promised by unsustainable land revenues. The old development pattern will not continue, and the way of city development needs to be changed.

As analyzed, the old development pattern was driven by unbalanced land and labor regime, which led to an unfair urban fiscal budget system. Thus, the reforms should be taken to make the city development more balanced and fairer. There are three major reforms in this political-economic framework: fiscal system reform, migrant workers citizenization, land use system reforms. The small changes of certain regime could bring huge influence on city development dynamically since all the factors——land, labor, government budgets, industries——were tightly connected by the regime. This dissertation then plotted the scenario simulation under different policy mix.

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Introduction

- Chinese economy developed, while social structure seems little changed.

Since the reform and openness policy implemented in 1978, China has made great success in economic area. The average GDP growth rate of 1978-2017 is 9.59%, and the GDP per capita grew from 156 USD in 1978 to 8123 USD in 2016. The economy led by industrialization also resulted in the fast urbanization, and the cities and towns in China expanded enormously. Infrastructure in urban areas such as roads, bridges and railway connections were developed in speed.

As the urban economy grew and cities were renewed, many rural workers rushed into cities and towns to find more rewarded jobs in new settled factories. The urbanization rate thus augmented. However due to the residential forbidden system (Hukou system), these migrant people can not benefit from the social benefits in urban area and are still lost in the very low class of the society even they are so hard-working.

The reason that the rural people want to rush into the cities is that the pay in rural area is far behind than urban area with low job opportunities. The people in rural area is sometimes like “underemployed”, since they can only work on the distributed land under mechanization with low pay.

The dual system in China has a long history since the foundation of PRC. The residents in cities are born to have lots of social benefits from the governments while the rural people could not. Even the economy developed and the Hukou system is somehow released, and the rural people can move the urban areas, all the social benefits related to the Hukou in cities and towns are not open to the rural migrants. This situation is caused by the local governments, as the citizenship of rural migrants will burden largely on the fiscal pressure of local governments. A great number of urban residents also think that the rush of rural migrants will lead to security problems and they do not want to share the social benefits with the migrants, especially for educational and hospital resources.

As a result, even though Chinese economy achieved large success, the social structure in China has little changed. The rural residents and migrants workers in cities are still lost in the lowest class, taking about 50-60% of total population.

They can only enter into the low-valued added sectors and get low pay. They also have less social benefits and lower opportunities to move to a higher class. And they also have little formal political access, the usual ways of their manifestation are mass accidents and complaining illegally to the central governments.

This social structure in China is so-called “inverse-T”, which is thought very turbulent. This structure thus caused lots of problems in China recently. How to make the social structure from “inverse-T” to a stable “fusiform” lays on the policy makers and thinkers in China.

- The urbanization in China was led by distorted resource allocation

The dual structures were seen in many developing countries as a normal feature of backward agricultural society. Since the under developed economy in urban area could not offer enough job opportunities to the whole nation, lots of residents need to live in rural areas with traditional production pattern. As the economy and society became modern and manufactured, the labor in rural were absorbed into the urban areas to seek modern jobs. And this kind of industrialization and urbanization followed was generally observed in many countries.

But in China, originated from the hope of fast modernization and industrialization, leaning from Soviet Union, the Chinese government formed a policy based dual system. In the planning economy, the agricultural goods were collected in a very low price, and the rural labor worked in land almost for free. While the industrial goods were set to a very high price to get profits. The nation used this pattern to fast gather industrial profits and allocated as much as resources to industry so as to lead industrialization. Some researchers in China called this pattern “feeding industry by agriculture”. By using this strategy, the government need to form a whole social policy to control people in land in a very low compensation. Thus the resident permission system was introduced, Hukou system. In Hukou system, everyone in the society has a certificate noting where he lives, he can not move to other place except on mission of units. And the people with Hukou in cities could have social benefits while people in rural areas has no. Thus Hukou is just like a passport which indicating the rights of living a place and a citizenship

certificate which indicating the right of getting social benefits. Of course, the mobility restriction policy also resulted from the low job opportunities in urban areas, the government need to control the mobility from rural to urban, so as to keep a society in security.

After the reform of 1978, the residential mobility restriction was somehow released, but the social benefits linked in Hukou are not released. The low cost labor rushed from rural to urban to get jobs in factories. These migrant workers can only have compensation without any working protection, sometimes no labor contract. Because they do not have the urban Hukou, the cities do not need to pay their social benefits, and very little schools are constructed for migrant workers. So the migrant labor seem to be very low cost for the economy and society. Thus the cities can benefit from high speed industrialization by low cost labor, without offering enough rewards to migrant workers.

The cities can also get profits from the rural land in a low price. The land use in China is strictly controlled by the government. Especially from 1998, only the government could collect the land from rural collectives in a low price, and sell the land rights to the real estate enterprises in a high, market oriented price. The land rights selling margin is in fact collected by the local governments and input into the urban construction. The rural residents, losing the land, can only get a very low compensation calculated on agricultural production multiplier, not market price.

The urbanization in China can not benefit from the low-cost labor, but also the low-cost land from rural. We can say the fast urbanization in China is from a new pattern of “feeding urban by rural”. Through the distorted resources allocation of Hukou system and land use system, in one hand, the urban squeeze out the interest from rural, in the other hand, the Chinese society is separated to a dual system.

- Social stratification and social integration

No matter what criterion the researchers used to analyze Chinese society and make social stratification, the dual system is the one they can not ignore. The Hukou becomes a systemic problem relating a variety of interests. These obvious and potential interests of Hukou make people so different. Even the rural people

migrate to the urban areas and live there a long time, they can not integrate to the local society and express as a significant group.

The first interest related in Hukou is the education rights. Only with local Hukou can the children go to local school. The local government allocate the budget on education based the number of local people with Hukou. Little special schools are also built for the migrant children but the education quality is largely criticized.

The second one is the pension system. Before 1978, the people lived in rural area is absorbed into collectives, living in a very poor standard. They did not have any pension, or they needed to work all their lives without retirement. While people lived in cities were absorbed into different units. All the units were state-owned, the units got money from the state and allocated the salary and pension to workers. After 1978, the pension system in rural collectives are generally found and developed. However, the rural and urban pension system are different, both on rate and coverage.

The medical insurance is similar as pension system. The medical treatment in rural area was covered by voluntary doctors in old days. And the rural residents needed to bear high medical cost with no medical insurance. While the urban residents could benefit medical insurance by units. Recently the rural medical insurance has been generally developed to cover the medical cost in rural areas. But the best hospitals are all in big cities, and the people in rural areas can be rarely compensated their cost in urban hospitals.

People without urban Hukou also faced discrimination employment. Lots of migrant workers do not sign labor contracts; then they can not be protected by the labor law. These migrant workers can rarely be official employees in governmental offices, state-owned enterprises, and other public entities. They can only have temporary contracts with these public entities. These migrant workers do not have unemployment insurance nor promotion opportunities. They just move from here to there to get potential jobs. These migrant workers could not get back their job compensation sometimes because their boss run away.

People with no Hukou do not have political rights in cities. They can not vote for their representatives where they live as their voting rights are in rural. They do

not have the rights to be voted. Their ways of political expression are illegal manifestation, rush violence to governments, etc. This leaves the society in as tense situation.

Except the direct benefits related Hukou, there are also other indirect benefits. A Hukou in big cities means a high social statute. While the migrant workers are regarded as strangers and foreigners.

Hukou system, or urban-rural dual system make people so different. The migrant workers in urban area live in their own groups, or small society. They can hardly integrate into the urban society.

The migrant workers often live in their own groups, with relatives or countrymen. They can not bear the high housing rent so they are hosted in the illegal houses constructed also by rural land. These rural rents are not collected by state, but used by collectives to construct houses. The rent of these houses is far lower than the houses in market. Since government will not offer enough public services to these people, nor police security neither living facilities. The migrant workers somehow live in their own groups or patron-client relations. They will rely on some local bosses to protect them and deal the relations with the governments for them.

The aim of the central government is to integrate the society to be a united one; a separated society is unstable and risky. Beyond the social stratification is the social integration. The more the migrant workers are separated from the society, the more united they are within their own groups.

Several reforms on Hukou have been implemented but only led to limited outcomes since the Hukou system has too many interests. But as the Chinese society stepped into a new stage, with land exhausting and demographic dividend using up, more reforms on Hukou system need to be made so as to integrate the society and to prevent violence and conflicts.

- The city development faced large constraints

The industrial process and systemic separation on cities and countries contributed to the fast development of Chinese cities. Due to the discriminatory

regulations, cities were given more benefits and absorbed resources from rural areas, both low-cost labor and land.

However, the discriminatory city development pattern faced large constraint. And the city development and management needed to be changed.

The labor migrant seems to slow down, as the demographic dividend exhausted. In a dual economy, the fast-developed industrial sector will absorb the labor from rural areas since the industrial payment was higher than cultivating land. Because the revenue in rural is very low, even the labor migrant continue, the payment of migrant workers would not grow. Then the fast-developed industrial sector can benefit from the low-cost labor for a long period, and these made people concentrated in urban area and made industrialization and urbanization. But if large amount of rural labor migrant and the rural revenue would grow, then the migrant would be end and the cost of labor would grow. This turning time is called Lewis turning point. In China, thanks to Chairman Mao's encouraging fertility policies, baby boom came in 1960s-1970s. The baby boom made rural area full of labor. These under organized labor was called demographic dividend. From 1980s, these labor migrants went to cities to search jobs. In statistics, there are about 300 million migrant workers, 36% of total Chinese labour. But new statistics show that the migrant worker growth stagnated. The demographic move came to a balance, and China faced the Lewis turning point. Cities can no longer get more low-cost labor without social benefit offering. Recently the factories in eastern provinces generally faced scarcity of labor.

The labor cost has also grown very fast. In the migrant period, the cost of labor remained in 1000 yuan/month. But after 2008, because the labor became scarce, the cost of labor augmented enormously. In 2017, the average cost of rural migrant workers reached 3485 yuan/month. The fast growing labor cost make the industrial sector lose their competitiveness. As the industrial collapsed, the cities development pattern was totally changed.

The land offering exhausted. China is a big country with large population, this fact makes the government realize to remain a certain amount of cultivated land. Only remain the cultivated land can the farms produce enough food to feed the population. The food security and land remain was regarded as the 目标. The

government reclaimed again and again to remain the red line of 10^8 mu(=120million hectares). As the fast development in cities, the local government change the arable land to constructed land. The total arable land reached very close to the red line. Thus the central government control more and more tightly the land use regime. And the land offering from rural land to city use will be less possible. The Chinese cities need to reallocate the constructed land in the urban rather than get free land from rural areas, if they want to get city development.

The land can only be offered by the local government, with the arable land limit. Thus, the housing prices in big cities in China booms to be bubbles. The housing price in Beijing and Shanghai reached to the level of Paris and New York but the rent is only 20% of those. High price of housing resulted in the financial risks as the normal family need to borrow loans to buy houses. And if the housing bubbles collapse like Japan in the early 1990s, Chinese city would bear large pressure. Then the local government need to control the housing prices and real estate transactions by administrative manipulation. The city must change the land use and housing system.

The local government faced budget dilemma. On one hand, the local government lose the land sales revenue, which is about 50% of total fiscal revenue in some provinces. Central government restricted strictly the land sales in provinces, and the land use regime reform will give more profit of land sales to farmers. Thus the land sales revenue, as the principle revenue in local governments, will not continue. On the other hand, the migrant workers in cities need to get social benefits in cities, they need to be regarded as citizens. More schools and hospitals were waited to be constructed for them and social protection need to be covered. All these costs belong largely to the local governments. Less revenue but higher expenditure burden on the local governments' budget. The local government, being heavily in debt, obviously will borrow more debts. And the budget constraint will make development unsustainable.

The government will face more social conflicts. The city development was led by the local governments, and the social negotiation is also covered by the local governments. Nowadays the farmers no longer bear the low revenue distributed on

land sales, they often gather together to bargain with the governments for more compensation on land sales. Sometimes the bargaining became mass accidents. The migrant workers first worked in factories, as the industry collapsed they rushed out to be unemployed. They usually live together as a group and can not integrate to the modern society. The unemployed and under educated labor makes security problems in cities. The city residents thus defend their home and push the governments to implement the “clean out” policy. The residents and the migrant workers’ conflicts will be explicit in the coming future. All these negotiation process will burden on the local governments since in China there is no other negotiation system.

- The city development needed systemic changes and reforms

As the demographic dividend exhausted and the arable land limited, the city development could not follow the old pattern. The city will face systemic transition, at the meantime the city management also needs systemic reforms to fit in the transition.

The local government, or the urban management agencies need to reform the Hukou system, giving the migrant workers citizenship. The Hukou system is not only the residential permit, but the whole social benefits related with Hukou. The migrant workers will have the same social benefits as the traditional city residents since they live in cities. Only given the same living rights in the cities, can the separated Chinese urban society integrate. In modern society, intergenerational transmission of inequality resulted mainly in unequal educational rights. The migrant workers need have the same educational and healthy rights in cities, the social integration led by the migrant citizenization need to settle down the educational and healthy inequality. However, making migrants workers citizens, in one hand need enormous fiscal expenditure, on the unskilled workers are faced unemployment and poverty risks in cities. So the city management transition will include both fiscal reforms and skills enhancing polices.

To reform the land use system. To reform the land use system, will be a great change to city development. Cities can no longer get free land from farmers, and the land sales revenue will be distributed in a bargaining price to both farmers and

local governments. The land sold farmers, when they leave the rural areas to cities, the land sales revenues can be an abundant income for living in cities. Combining with the land use system reforms, the housing system also needs to be changed. The high price of houses and apartments in cities burdens migrant workers, and they thus can only rent the unregulated houses with poor living conditions. The city government needs to use land gotten from rural areas to offer more social housing and cut down the renting prices for migrant families.

To reform the local fiscal system. The local government fiscal budget is investment based and driven by land sales and debt borrowing. And the fiscal revenues are distributed unequal between the central and local governments. Local governments lack normal fiscal revenues then they turn to get free land and sell to markets. Then the fiscal reform in cities needs to focus on three principles. First the fiscal revenue of local government will cut the land sales revenue and turn back to normal taxes. The tax structure will also change from the indirect tax to direct tax. The indirect tax is from the industrial based economy while the direct tax is based on the service based economy. Second the investment based expenditure should change to social benefits offering. The local government will change from a “investment company” to a public service providing agency, and the budget needs to allocate more on the public affairs. Third the central government needs to take more responsibility to expend for local government in terms of inter-provinces expenditure. To clarify clearly the expenditure responsibility

To renew the social management policies. The social management system in cities is traditionally decided by the government, and this fact causes all the conflicts concentrated on the governments. The mass accidents caused by interest conflicts will always strike the local government agencies. The local government needs to renew the social management policies, to form more autonomy organization of residents, both migrants and traditional citizens. To make the disorganized society united by the autonomy organization and groups, the small contradictions can be handled in the groups, and the big interest conflicts can be negotiated by groups with governments.

To reform the society by a job based society. The Chinese traditional society is still an agriculture based society, thanks to the industrial process the agriculture based society disintegrated. And now the Chinese society is managed by Hukou system. People with urban Hukou and rural Hukou were separated to two groups. This fact makes Chinese society heavily separated. When the migrant workers move to cities and becomes citizens, the need to enhance their capability of living in cities, if not, they will fall to be poverty with the dual society not changed. In idea of Emile Durkheim, the separated society need to be reunited by job based society. The migrant workers need to be trained from unskilled labor to skilled employees. To incorporate the migrant workers to workers union and making their voice aloud.

1st Part: Literature Review

The industrialization and city development are mixed issues in economy, politics and society. The industrialization and urbanization are first economic phenomena. Then the Chinese city development were driven by dual policies, and the reforms and city management are also political issues. The dual system, especially expressed as Hukou, separate the population into several groups, urban residents, migrant workers, and farmers. These groups in the society have different characteristics, how the groups form and integrate is the issue of sociology. So, in this paper, the literature review focus on urbanization and city transition, combing with industrialization(economy), social stratification and integration(sociology), reforms and transition analysis(politics).

- Urbanization and city transition

Urbanization and city transition are the very precondition of this research. The city development and the transition of society are due to the fast industrialization. While the industrialization collapses, the city development and the reconstruction of social base will be totally different. The industrialization and urbanization research originated from the development economics. After the Second World War, the independent developing countries urge to modernize the economy by policy of industrialization.

- Social stratification and social integration

Social stratification is the basic analysis of sociology. How to classify the population into groups depend on the sociology theories. Karl Marx, Max Weber, Emile Durkheim have their own idea of classification. While in China, the Hukou system under urbanization is the very important standard to classify population. Hukou is not only the political issue but also seriously influences actions of population. Researchers also works on how to integrate people under urbanization.

- The transition analysis

The transition analysis is actually a Chinese based issue. This research domain not only focus on scientific findings, but also have great impact on policy implementation and reforms taking.

Urbanization and City Transition

Industrialization and Urbanization

Economists and sociologists today generally recognize that urbanization is an important stage in the development of human society. In the early days of human development, agriculture was the mainstay for a long time. The efficiency of agricultural production is very low and the population is mainly concentrated in rural areas. With the irregular increase in agricultural efficiency, the population has also fluctuated, resulting in the Malthusian trap. With the beginning of the industrialization process, the production efficiency of the urban manufacturing sector continues to increase, resulting in higher profits and higher wages for employees. This has led to differences in income between rural and urban areas and has led to the deprivation of rural land capital by urban capital. More and more farmers who lost their land have entered the city and joined the production sector of modern manufacturing, which has led to the concentration of rural population to the city. Therefore, urbanization is a phenomenon of human society that comes with the rapid advancement of industrialization. Of course, this is the story of the historical development of Western capitalist society. The industrialization and urbanization of Europe and the United States have gone through nearly a hundred years. In fact, industrialization and urbanization are more precisely the rules that development economists and developmental sociologists have summed up in summarizing the development experiences of developed capitalist countries(Xiang Dong,2010).

The definition of industrialization represents the current popular opinion of most development economists. It is pointed out that industrialization is the gradual increase in the proportion of industry (manufacturing) among national income and employed population. Rostow(1975) used the concept of "take off" to define the meaning of industrialization. He pointed out that "takeoff" (equivalent to the initial stage of industrialization) is a fundamental transformation process of a society from a traditional type to a modern type, which is generally completed in a relatively short historical period. Chen Nari et al. (1995) also defined industrialization as the economic development process in which the share of

manufacturing increased from 15% to 36%. In this process, the economic structure will undergo substantial changes, which is reflected in the production structure.

Western scholars have rarely mentioned urbanization because the urbanization of developed countries has been basically completed. As a key research content of development economics, urbanization is considered to be the result of industrialization. Urban development in developed countries is more often cited as development experience by development economists. The United States and Japan's urbanization and industrialization are synchronized and mutually promoted and coordinated. They are also dominated by non-equilibrium and concentrated development models. The relationship between urbanization and agriculture and rural areas, the dynamic mode of urbanization and the degree of government intervention. From the historical track of urbanization development, urbanization has become the mainstream organizational model for regional development and urbanization in the United States, and is the "engine" for promoting the US economic prosperity and enhancing its core competitiveness (Long Cuihong, Yi Chengzhi, 2014); Japan's urbanization It is an urbanization model that is concentrated and dispersed but generally relatively concentrated. South Korea's urbanization is also an unbalanced development characterized by the priority development of large cities (Sheng Guangyao, 2011). Some scholars start from the history of rectifying the "urban disease" in the UK and study the evolution of the British urbanization model (Li Gangyuan, 2013). In developing countries, Brazil is a model of excessive urbanization. Although the level of urbanization is quite high, it is not compatible with the development of industrialization, resulting in many urban problems (Li Ruilin, Li Zhengsheng, 2006).

China's industrialization and urbanization are essentially a problem of urban-rural disparity and population mobility. Before the reform and opening up, China adopted a model of strict control of population mobility, and industrial high-yield and high wages could not attract more rural labor. With the implementation and promotion of reform and opening up, the restrictions on the mobility of China's population have been eliminated. At the same time, due to the liberalization of urban private industry, a large amount of rural surplus labor is

needed. The large number of rural surplus labor have caused China's rapid urbanization process and promoted China's rapid industrialization process. However, the rural labor force that works in the process does not get the welfare of the city, which has caused many problems in China's urbanization.

In the process of urbanization in China, the contradiction between urban and rural development has been very prominent. Especially with the continuous expansion of urban-rural gap after the mid-1980s, the urban-rural relationship model has been established in the process of urbanization has become urbanization research' focus. This kind of model research is mainly based on the theory of urban and rural development, analyzing the causes, performances and adverse effects of the urbanization model of urban-rural division in China, and proposes the innovative urbanization model and promotes the coordinated development of urban and rural areas(Chan K W 1994; Zhou Qiren,2004; Sun Yongzheng, Wang Xiuxiu, 2016). However, from the perspective of the urban-rural relationship model, some urbanization is divided into “urban disintegration rural fan model”, “urban complement rural model” and “rural transition urban model” from the perspective of urban-rural historical changes(Sheng Guangyao,2011); Some from the perspective of urban-rural coordination, urban and rural development divided into four theoretical models: urban-rural closed development, urban priority development, urban-rural homogenization development, and urban-rural differential development(Long Cuihong, Yi Chengzhi,2014). Correspondingly, the urbanization model they propose for coordinating urban and rural development also differs. In addition, research has proposed a new theoretical model for urbanization in China—the urban-rural network development model(Liu Wei,2013). No matter how it is divided, a successful development model must pay attention to the relationship between urban and rural areas and the coordination of relations, getting rid of the development of urban-rural dual division, neither "urban bias" nor "rural bias".

In fact, China's urbanization mainly includes two aspects. The first is the urbanization of hardware, that is, the process in which rural land resources enter the urban sequence and generate fixed assets to form actual asset returns. The urbanization of China in the past few decades is mainly the infrastructure

urbanization. The second is the urbanization of software, or the urbanization of the population. This is a very lacking part of China. Because migrant workers who work in cities do not actually have the various benefits of urban life. The new urbanization road in China is to carry out the citizenization of migrant workers.

The Land Regime and Reforms

The first stage of China's urbanization is the construction of infrastructure, which involves the transformation of the land system. China's land system is very complicated, and it has also led to research on land finance and industrial parks.

- The transformation of the land system

Since the founding of the People's Republic of China, the land management model in mainland China has experienced three stages. The first phase was 1949-1955, when the Ministry of Land and Resources of the Central People's Government of the People's Republic of China is in charge of the national land administration. The second phase was 1955-1986. The land management functions were scattered in the relevant land use departments at the rural and urban levels. The urban land is managed by the Real Estate Bureau, the Ministry of Agriculture manages the rural land, the Ministry of Railways manages the railway land, the Ministry of Communications manages the roads and other transportation land, the Forestry Department manages the forestry land, the Ministry of Water Resources Manage land for water conservancy projects, and the Ministry of Agriculture and Forestry manages state-owned agricultural land and wasteland. During the "Cultural Revolution", most of the land management institutions were revoked, and the national land management was in a disorderly state. From August 1982 to June 1986, the state implemented a system of urban and rural administration. The Ministry of Agriculture, Animal Husbandry and Fishery has a Land Administration Bureau, and the Urban and Rural Construction and Environmental Protection Department has a Housing and Urban Housing Bureau, which partially restored the functions of land administration. The third phase is from 1986 to the present. On March 21, 1986, the State Land Administration was established to exercise the functions of the national land. The State Council and the local people's governments at all levels set up land management departments to implement a

unified urban and rural land management system. The status of the land administration sector has risen sharply, while other departments have changed from competent authorities to land use departments. Wang Wanmao (2013) introduces the current situation of China's land management system, including the established land management systems and their functional orientation, discusses the implementation effect of the current land management system and its existing problems and analyzes the causes. Cheng Xueyang(2013) takes "state-owned land-collective land" as the basic discussion framework. From the "central-local" and "urbanization-cultivation protection" perspectives, he sums up the experience and lessons of China's land management over the past 30 years, and then reflects China's current Land system. Ling Bin(2014) thoughts the land transfer mechanism is a core issue in the current rural land system reform in China. The Chinese model of land transfer has laid an important foundation for the Chinese road of economic growth and social development.

- The rise of land finance

Land finance refers to the fiscal revenue and expenditure activities and interest distribution relations of local governments using land ownership and management rights to obtain income, including the government's ability to directly or indirectly increase fiscal expenditure through land taxation, land use rights transfer, land financing, etc. The ways to maximize the fiscal and tax revenues of the land finance include: First, the land is transferred to get income, which is the most important source of the extra-budgetary revenue of the local government; secondly, the industrial land is sold at a low price, so as to attract investment and promote local economic development; the third is to carry out urban reconstruction and expansion, promote the development of the real estate industry and related industrial chains, and increase local tax revenue; fourth, use land as collateral as a financing medium to obtain bank loans, so as to carry out infrastructure investment and municipal construction. The formation of land finance not only reflects the government's profit motives triggered by the current land management system, but also highlights the shortcomings of the current fiscal and taxation system. It forms the internal driving force for the excessive expansion of local government construction land, and the impact on local government behavior is even more

important. Cheng Yao (2009) believes that the fundamental reason for the formation of land finance is that the existing fiscal and taxation system leads to the imbalance of financial resources and power, the defects of the land rights and interest mechanism, and the imperfect incentive and restraint mechanism. The fundamental strategy for land finance is to reform the existing fiscal and taxation system and performance evaluation and other related systems, establish a reasonable institutional framework, and achieve effective incentives and constraints. Zhang Xiaoshan (2011) believes that land finance has become an important source of income for local governments, and debt repayment in some places is more dependent on land sales income. However, the focus of land finance spending is still in cities, not in rural areas. The author believes that in the net income generated in the value-added process of the entire land, farmers should enjoy the residual claim and obtain their share. Fan Fangzhi and Tang Yugang (2013) believe that land finance is a process, including land acquisition, land transfer and land development. Each stage has significant reverse income redistribution, which is not conducive to land-losing farmers sharing urbanization dividends. Jiang Zhen(2015) believes that land finance affects market fairness. A large number of related taxes and land transfer fees have been passed on to the housing, which has reduced the actual income level of the purchasers. The huge price difference between the rural collective land when it is converted into construction land and the “bidding and auctioning” has become an important reason for the problem of income distribution.

- Research on industrial parks

The development of China's development zones is actually an artificial urbanization process. The capital agglomeration brought about the construction of the development zone. The industrial agglomeration and the resulting population agglomeration had led to the urbanization of the region. Since China's reform and opening up, it has successively established different types and levels of development zones such as special economic zones, economic and technological development zones, high-tech industrial development zones, border economic cooperation zones, bonded zones, and export processing zones. The development of China's development zones has evolved from a single-function industrial park to

a multi-functional urban “new urban district”. Zheng Guo and Wang Hui (2005) believe that the problem of sustainable development of the development zone, the relationship between development zones and regional development, the ecological environment problems in the development of development zones, and population and social issues are all serious problems brought by development zones. Yan Haiqing (2013) believes that the problems in the construction of China's development zones are very prominent, mainly reflected in the difficulty of containment of space expansion, extensive land use, low quality and level of investment, disordered regional space development, prominent environmental risks, and lag in infrastructure construction. Qian Zhenming (2016) believes that the spatial changes and social transformation caused by the development of urbanization in the development zone have made the birth control defects of the development zone increasingly prominent, and faced the lack of the rule of law, the weakening of the original institutional advantages, and the lack of economic development functions and social management functions.

The Urban Migration and Citizenship

After the partial restrictions on population movements in 1978, a large number of rural people flocked to cities. However, these urban immigrants do not have the welfare of urban life. They can only rely on informal employment to obtain income sources. In the stage of urbanization of software, the study of urban immigrants, migrant workers, household registration system reform, and citizenization of migrant workers has naturally become the focus.

- Urban immigration research

The study on Chinese immigrants began as early as Chinese immigrants to foreign countries. Zhou Min and Lin Shugang (2004) studied the situation in which Chinese-American populations depended on Chinese-born capital to form immigrant communities. They found that in the traditional East and West cities and other cities, there are many settlements that are qualitatively different from Chinatown, flushing in New York City and Monterey Park in Los Angeles. Zhao Dingdong, Xu Hongbo (2003) Surveyed Chinese immigrant in the Republic of Kazakhstan. They argued that the “exotic adaptation” of immigrants mainly

depends on the immigration system of the immigration country and the “relationship” of the migrants. Racial discrimination leads to inequality in the initial state of immigration and affects the progress of their adaptation. However, for the individual's psychological feelings, ethnic grouping is the most rational regional choice. Wang Chunguang, Jean Philippe Beja (1999) studied the living conditions of Wenzhou people in Paris. They believe that finding a reasonable means of earning a living and developing through group gathering and mutual assistance is an effective way for non-elite immigrants to integrate into society; a developed country with a strong civil society is conducive to the formation of a group of non-elite immigrants, and cultural diversity coexist; in the process of social integration, non-elite immigrants are constantly adapting their behaviors and values, but they are more likely to reinforce their social and cultural traditions, thus enabling different traditions. Differences are more likely to emerge, and it is more likely that tensions and conflicts will occur, but these tensions and conflicts also contribute to the re-construction of integration and diversity.

- Migrant workers research

There are many kinds of research on migrant workers. The main focus of this paper is on the living conditions of migrant workers in cities, or the construction of social networks, and how to integrate them into urban society through their methods.

Peng Qingen (1996) through an analysis of the case interviews of migrant workers “contractors”, found that some migrant workers consciously construct their own social network in the city and use these networks to obtain and consolidate their economic status and social status. Luo Wei (2013) studied the asylum relationship of peasant immigrants in the city. He found that rural immigrants in the process of integration into urban life, mainly rely on the construction of new social space to adjust the unequal social power relations, and the production and self-identification of the social space production process.

Yan Wei, Liu Shenghe, Zhao Meifeng (2016) found that: China's urban floating population has polarization characteristics in a few cities' agglomeration distribution. The higher the level of the city, the absolute size and relative scale of

the floating population tend to be more advantageous; The cities with the absolute scale advantage of the floating population are mainly concentrated in the southeast coastal areas, while the relatively large scale advantages are widely distributed in the southeast coast and the western regions. Dai Changzheng, Yu Yanhong (2014) believes that individual legitimacy political participation, individual illegal political participation, group legality political participation, and group illegal political participation are the main forms of participation of the floating population group, but the non-participation forms may lead to risks of social disorder, loss of social capital, poor democracy and political instability.

- Research on household registration system

The design of the household registration system was originally designed to limit the overpopulation of rural population, thereby increasing the pressure on the city. With the reform and the development of Chinese society, the household registration system is obviously out of date. Therefore, research on the reform of the household registration system has recently emerged.

Chen Wei, Lu Ming, and Xu Yuqing (2014) found that the household registration status has a certain negative impact on the public awareness of immigrants. This influence has not been significantly reduced with the increase of immigrant income or education level. In terms of public participation, immigrants are more negative, partly because the existing system restricts their public participation. Zhang Guosheng and Chen Wei (2014) believe that the reform of household registration system should take the allocation of rights and the reorganization of interests as the value orientation, focusing on the equalization of basic public services in cities and towns, and focusing on the household registration of major cities such as provincial capitals and municipalities directly under the Central Government. It supplements the differentiated interests between the regions and the cities, and cancels the unreasonable interests accumulated in the history, guarantees the relevant rights and interests of migrant workers and other migrants in rural areas, and builds a driving model of central government-led and local government linkage. Guan Xinping (2015) believes that the non-resident population has made significant progress in the market, culture and society in the

past few years, but there is still some exclusion in the public service and public management system. Therefore, it is urgent to affecting the equal access of non-residents to public services. Although local public services for non-resident population have progressed, they are mainly based on the principle of instrumental rationality rather than the values of social equity, and local governments are not sufficiently motivated in this regard.

- Research on the Migrant Workers' Citizenization

After the Eighteenth Congress of the Communist Party of China, new urbanization was brought out. The core of the new urbanization is to enable migrant workers in the city to truly become urban residents. Research on the citizenization of migrant workers and specific cost accounting have emerged.

Du Min (2013) found that the traditional social management model based on the household registration system failed to adapt to the problem of population mobility, resulting in a low degree of citizenization of the floating population, especially the peasants. The lack of capital and social resources of peasant workers, combined with the lack of access to land in public services and social welfare, has made it impossible for migrants to truly share the fruits of economic growth and urbanization, triggering a series of economic and social problems.

Qi Haixia and Chen Junjiang (2015) believe that the cost of citizenization of agricultural transfer population is mainly divided into five parts: housing cost, education and training cost, social security cost, infrastructure construction cost increase, and private increased living cost. After their calculation, the per capita total cost of urbanization of Chengdu's agricultural transfer population is 285,760.84 yuan. Du Haifeng, Gu Dongdong, Du Fu (2015) used the census data and field research data of Guangdong Province from 2009 to 2013 to calculate the annual per capita total cost of migrant workers' citizenship to be 63.14 million yuan. Zhang Jiliang and Ma Hongfu (2015) measured the externalization of a migrant worker in Jiangsu and needed to spend 123,000 yuan. Among them, the cost of citizenization of the first generation of migrant workers is about 112,000 yuan, and the cost of citizenization of a new generation of migrant workers is about 143,000

yuan. If the urbanization of migrant workers is realized at one time, the cost that public finances need to pay for each migrant worker's life is 927,000 yuan.

Ma Changshan (2015) believes that the agricultural transfer population in urbanization should shift from residents to citizens, focusing on the construction and expansion of the role of citizens, the space for political participation, cultural compatibility and the integration of the pattern. Citizenship is conducive to promoting the formation of institutional identity, public participation and self-discipline order, thus forming a pluralistic governance order. Yan Wei et al(2016) believe that the pressure on citizens in a few cities is heavier, and the pressure on citizens in most cities is not high. The government should give priority to increasing the financial input and public service resources allocation of cities with strong public pressure, and at the same time guide the floating population to gather in small and medium-sized cities in the central and northeastern regions.

Zhang Guosheng and Chen Yu (2013) found that in the process of citizenization of migrant workers, meeting the needs of migrant workers for public services and rights protection will generate corresponding social costs. This kind of cost is rooted in the lack of institutional depreciation and basic rights of migrant workers, and has the characteristics of dynamic accumulation. Facing the huge challenge of social cost, the citizenization of migrant workers in China needs to build a cost sharing mechanism.

Social Stratification

Traditional Social Stratification

Social stratification exists in any society. Social stratification, in terms of nouns, refers to the stratification and classification of social members and social groups due to the differences in social resources. First of all, the study of social differences refers to the differences caused by the social factors such as politics, economy, culture and communication. Of course, not all social differences can be understood as social stratification, and only institutional unequal systems can be understood as social stratification.

Social stratification is of great significance to the study of this paper, because for Chinese people, China is facing a very serious social stratification problem. The simplest is the stratification of urban residents and rural residents, the stratification of urban immigrants and the original urban residents. Behind these social stratifications there are very fierce conflicts of interest: social welfare distribution, real estate, employment opportunities and labor compensation competition.

The traditional theory of social stratification is mainly composed of three genres, or more precisely, three scholars: Karl Marx(1961), Max Weber(1997) and Emile Durkheim(2000). Marx's social stratification is mainly focused on the ownership of production materials, and the research focuses on class struggle; while Weber's social stratification is mainly to study diversification stratification; and Durkheim's is functionalist stratification theory, his division of labor and occupational stratification are increasingly important in today's society.

- Marx's theory

Marx's theory of social stratification is mainly in studying the class and its evolution and struggle. Marx believed that division of labor and private ownership led to the emergence of class. In Marx's numerous writings, class refers to groups that occupy the same economic status. The bourgeoisie is the group that occupies the means of production, while the proletariat cannot possess the means of production. In social production relations, the proletariat is only employed by the bourgeoisie and provides labor to survive, while the bourgeoisie provides means of production in the production process.

Marx's stratification theory has two main influences on later generations: the first is social stratification associated with economic status, and the second is social conflict caused by stratification of such interest orientation. Marx believes that social history and social activities in any period can be analyzed as class interests and economic interests. In Chinese society, social conflicts caused by unclear property rights are very intense. On the one hand, it is the rapid expansion of the city and the high returns of urban builders; on the other hand, the loss of the interests of the farmers who lost the land and the residents who have been demolished.

Marx believes that in social stratification defined by the structure of interests and economic status. The capitalist society has its inherent contradictions and will inevitably produce important social conflicts. First, the faster the industrialization develops, the more serious the problem of social inequality. Second, the more developed industrialization, the more people will be ruled or the proletariat, and they will form a tightly united class. Third, as the ruled are increasing and united, the frequency and intensity of the conflict between the bourgeoisie and the proletariat will increase. Fourth, in conflicts, class members develop their own ideology through communication, recognize their class interests, and become more united. Fifth, the intensification of the conflict has led to the revolution.

- Weber's thoughts

Weber's thoughts on stratification are mainly derived from one of his long articles, "Differentiation of Power in Political Society: Classes, Identity Groups, and Political Parties." Weber identified three basic aspects of social stratification: wealth (economic status), power (political status), and reputation (social status). Wealth is the composition of all economic assets. Because of different wealth, people are divided into rich and poor. Power refers to the ability of a person or group of people to exercise control and influence on them. Reputation is a good evaluation of social identity. These three statuses are not independent but intertwined.

In fact, the significance of Weber's stratification theory is more about "diversity." That is to say, according to a variety of criteria to distinguish social classes, rather than relying solely on economic status. Due to the large number of standards, the relationship between various classes and social groups is intertwined. Thus the boundaries of interest differentiation become more blurred. In this sense, Weber's stratification theory should be inclined to reconcile class interests and contradictions.

Weber frequently uses the concept of "community". Community refers to a specific social relationship in which members have the same direction of behavior as the basis. Weber believes that classes, identity groups and political parties are three important aspects of the distribution of power within society. Classes are

linked to economic order, identity groups are linked to social order, and political parties are linked to politics or legal order.

- Durkheim's theory and successor

It is generally believed that Emile Durkheim is the founder of functionalism. Durkheim is also one of the founders of sociology. Functionalism believes that society is a unity of many parts that are interconnected and interact, and each part plays a certain role in maintaining the overall balance of society. According to Durkheim, the so-called function is the relationship between the system of the organism and the needs of the organism.

Unlike economists who believe that social division of labor is different, Durkheim believes that the greatest significance of division of labor is not to improve labor productivity, but to increase labor productivity is only a supplementary function of division of labor. The greatest significance of the division of labor is that it plays a role in society as a whole, and it closely integrates the whole society. No group can live away from another group, thus achieving the function of uniting society.

The basic point of Durkheim's focus on social division of labor lies in social integration. He believes that traditional society is linked by a method of mechanical solidarity. After the collapse of the traditional society, the society has experienced extreme chaos. In fact, the situation told by Durkheim is that people lost their original norms and standards in the period of rapid industrialization, and they fell into the dilemma of moral deficiencies. Due to rapid social changes, villages, villages, families, and neighbors, the social methods familiar to the original people are no longer able to continue. Therefore, Durkheim hopes to find something that can reorganize society. He proposed the professional group as a channel: the interdependent professional group will become the coordinator of the state and individual opinion, creating organic unity.

Within the professional group, there are relatively standardized internal customs, which can greatly consolidate laws and regulations. Durkheim believes that the more detailed the division of labor, the closer individuals are to society.

Each part of the group has its own functions, which are difficult to separate from each other.

Another feature of studying social stratification from the perspective of division of labor is that it is easier to mitigate contradictions. Because when explaining people's status and economic differences, a more moderate statement is "different division of labor."

China's current society is in a period of chaos. Rapid industry has led to the collapse of the original rural social order, but the professional system has not yet formed. The most typical is the group of migrant workers. On the one hand, they seem to have entered the modern professional group, but on the other hand, they have not formed a real professional group.

Briefly summarize the theories of Marx, Weber, and Durkheim. Marx determines the social classification based on economic status, and the differentiation of this economic status will inevitably lead to fierce social conflicts. Weber's social stratification standards are diverse, and people live in communities rather than in a single economic community. Durkheim's social stratification theory focuses on functional occupational division of labor.

Chinese Social Stratification

Research on social stratification in mainland China has been slow. This is because after the founding of the People's Republic of China, the population was in a state of inability to move freely, and the policy divided the rural population and the urban population. During this period, there was absolutely no need for social stratification research. After the reform and opening up in 1978, the statistical system of mainland China has not been able to develop very well, which has caused many migrants not to enter the statistical system. Moreover, the measurement of social stratification in mainland China is quite difficult. First of all, the mainland China has a large population and it is difficult to collect data. Secondly, the Chinese mainland has a large area, and the gap between regions and between urban and rural areas is huge, so the complexity of the social structure is also high.

Finally, the mainland is currently in a period of great social change, and the hierarchical structure is changing at any time.

To understand China's modern society, we must first understand China's social stratification structure. In recent years, some scholars have tried to measure the social structure of mainland China. There are two branches that are more important. The first branch is the "Research on the Change of Contemporary Chinese Structure" by the Institute of Sociology of the Chinese Academy of Social Sciences; the second branch is the study of Professor Li Qiang of Peking University.

The "Top Ten Social Class Models" was proposed by the Institute of Sociology of the Chinese Academy of Social Sciences(2002). Their main research results are the "Research Report on Contemporary Chinese Social Classes" and "Fracture and Fragmentation: An Empirical Analysis of Social Class Differentiation in Contemporary China". The research team adopted four mechanisms and three resources when classifying Chinese social classes. The four mechanisms are the division of labor, the level of authority, the possession of production materials, and the division of institutions. The three resources are organizational resources, economic resources, and cultural resources.

According to whether or not these three resources are available, the entire Chinese society can be divided into ten major classes. For details, see the table below.

Table 1 The ten classes in China

Class	Resources	Level
State and social administrators sectors	Has organizational resources	Upper social layer
Manager level	Has cultural resources or organizational resources	
Private entrepreneurs	have economic resources	Middle and upper
Professional and technical personnel class	Has cultural resources	
Staff level	Has a small amount of cultural resources or organizational resources	Middle
Individual industrial and	Have a small amount of	

commercial households	economic resources	
Business service staff class	Has a small number of three resources	Middle and lower layers
Industrial worker class	Has a small amount of three resources	
The agricultural labor class	Has a small number of three resources	
Urban and rural areas, unemployed	Basically no resources	The bottom of society

The second branch is the study of Professor Li Qiang(2005) of Peking University. Professor Li proposed the concept of inverted T-shaped social structure. Professor Li uses the International Socio-Economic Index of Occupational Status (ISEI) to analyze China's social hierarchy. He integrated the traditional Chinese occupational classification with ISEI and concluded that China's social class is mainly inverted T-shaped structure. He believes that the number of China's bottom groups is extremely large, accounting for 63.2% of the total population. These people are mainly farmers and other low-income workers. And by studying the changes in China's social structure, he believes that China's urban development rate is twice as low as the international general law.

Social Integration

Migration and Social Integration

The stratification and fragmentation of Chinese society is very serious. Most people are at the bottom of society and the social structure is unstable. With the development of China's economy, this unstable social structure has caused great development uncertainty. The inability of immigrants from cities to integrate into the local society has become a major factor constraining the unity of Chinese society. Therefore, social integration has become an inevitable research topic.

Yang Lixiong (2006) believes that the government's welfare competition is not conducive to the social integration of agricultural workers. He believes that in the process of globalization, the government will conduct welfare competitions in

order to maintain the competitive advantage of the location, and further worsen the situation of migrant workers. To change this situation, first, cultivate the interest groups of migrant workers to achieve the balance of power between the two sides of the game; second, consider the constraints of migrant workers' exit motivation and household registration system, and formulate social protection policies for migrant workers.

Li Tao, Ren Yuan (2011) believes that in order to integrate migrant workers into the local society, it is necessary to carry out four reforms on the household registration system. First, the household registration system should be gradually decoupled from the relevant welfare system. Second, the incremental social reform of the social welfare and public services of the migrant population should be taken; third, the institutional channel from the immigrants to the local household registration should be expanded; fourth, the linkage between urban household registration reform and regional household registration reform should be promoted.

Li Chunxia and Huang Yushi (2013) believe that it is necessary to establish a personal or family comprehensive account as the cornerstone, to achieve the free flow of personal accounts as a breakthrough, to improve the ability of personal account management, to strengthen personal asset construction, and to improve supporting policies. The government should ensure the construction of China's asset-based social protection policy system for floating population.

Tian Ming, Peng Yu (2014) based on the survey of the floating population of six cities with obvious urban characteristics in the eastern region, measured the floating population from five aspects: economic integration, social integration, psychological integration, institutional integration and spatial integration. The index system of urban integration compares the overall integration of the floating population in six cities and the integration of each level. The study found that migrants in the north of Shenyang, Qingdao and Beijing are more integrated than the southern cities of Dongguan, Wenzhou and Wuxi. The integration of floating population in the same city is uneven at all levels. Shenyang has the highest level of economic integration and the lowest level of institutional integration. Beijing's economic integration is at the forefront, but space integration is the lowest. Contrary to Beijing, Qingdao has the highest level of integration and lowest

economic integration. Dongguan has the highest degree of spatial integration and the lowest level of social integration.

Yang Juhua (2015) measured the four dimensions of economic integration, social adaptation, cultural acquisition and psychological identity, and found that the overall social integration level of the floating population is general, and the integration status of each dimension is quite different: institutional constraints and structural exclusion are essential and the social integration process lags behind the cultural and psychological integration; the level of integration of rural-urban migrants is not as good as the integration of urban-urban migrants, showing the stratification of integration; good community can effectively promote the integration process and highlight the community dependence of integration; the connection between the inflow and outflow areas, the floating population and the local citizens affects the integration process of the floating population and highlights the interactivity of integration.

Social Capital and Integration

Social integration requires the support of social capital. It is impossible to expect that the two people who are clearly divided will naturally integrate. Studies have also shown that immigrants with more social capital can better integrate into local communities. How to improve and utilize the social capital of migrant workers has become the focus of research.

Ren Yuan, Tao Li (2012) studies the definition and measurement of the social capital of the localization of the floating population from the three dimensions of social participation, social trust and social interaction, and analyzes the main factors affecting the localization of the social population of the floating population. The impact of social capital on the social integration of migrants. Yan Wenjing et al(2012) through the analysis of domestic and foreign research, found that social capital and human capital have an important influence on the social integration of the new generation of migrant workers.

Liu Tongshan and Kong Xiangzhi (2014) show that compared with farmers who choose to migrate to small towns, farmers with more rural social capital prefer to move to county/county-level cities rather than to larger cities. Settlement indicates that rural linkages have a certain pull on the migration of rural households; farmers who are younger, have better health, higher education and household income, and have members who work in cities for a long time prefer move into a city with strong citizenship; farmers with poor health status, large number of children, less contracted land, and no urban work experience are more willing to go to the province. Metropolitan immigrants such as the city and Beijing/Shanghai indicate that the poorer farmers are looking forward to going to the big cities. On the whole, land transfer can promote urbanization. Urban work experience will allow farmers to choose the city that suits them. Only farmers with poor resource endowments and high survival pressures still have “big city dreams”.

Methodology

Legal Provisions Analysis

From 1949 to 1978, China form a society learning from Soviet Union system. And then from 1978 till now, China has reformed its regulations and provisions to fit up with the market oriented economy and step to modern society. However, lack of sane legal systems, the vast majority of rules in the economy, society, politics are based on “guidance”, “plan”, “spirit of the meeting”, “note”, “opinion”. Even the Hukou system and its reforms are often implemented on these rules. Recently China has replaced these temporary “regulations” by “laws”, but still a long way to go.

As a result, to analyze the Hukou, land use system, city development, municipal fiscal budget, the regulations net reading is very essential. Sometimes the flexible regulations are powerful than laws in terms of implementation. And in process of reforms 1978-2018, forty years, lots of reforms are implemented by temporary regulations, to seize the regulation net is the key to understand the reforms.

There are some important kind of regulations.

Laws. As many other countries, Chinese laws can be only passed by the national congress—People's Congress. Every year in the March in Beijing, the members of congress gather to examine and adopt laws. But like other countries, laws drafting, examining and adopting are very long period, in a country of transition and reform, laws are always behind the economic and social facts. Thus the laws passed in China are usually these facts well accepted but in general. Lots of economic and social rules are followed by temporary regulations, regulators thought that they can change these temporary regulations to laws when suitable. And in some cases, in some certain laws, the Congress will entitle the regulating powers to ministries, so in fact it is the ministry regulations which regulates the economy and society. For example, in 1985, the Congress entitled the ministry of finance the rights of regulating tax rates of all the taxes. Then the taxes rates are mostly regulated by regulations of ministry of finance, not fiscal laws.

Ministry regulations. In period of reforms, when some reform ideas were not complete, the regulators did not know the results of that reforms, then they will choose a flexible ministry regulation rather than fixed law to make experiment in some areas. If the experiment could not report good results, then the ministry would easily stop the regulations and turn back to the old ones. So some researchers said that in China, the country is governed by “regulations”. The advantages of ministry regulations are flexibility and modifiability, while the disadvantages are instability and discrimination.

Opinion and Decision. China is a one-party system country, so the opinions of the Party is very important in terms of regulations. The “opinions” are not just what we talk about our opinions, but the official documents as the guidance of the top decision-making groups. Like “opinions”, “decisions” are also official documents to regulate the nation, but more direct and resolute. The “opinions” and “decisions” are often made by the Party Central Committee or(and) the State Council. Even the “opinions” and “decisions” are not formal laws or regulations, but we thought they are powerful than ministry regulations, because the ministry

regulations would then be made in follow the spirits of these guidance. So, the “opinions” and “decisions” are often regarded as the signals of certain important reforms or changes.

Plan. The plan system is from the planning economy of Soviet Union. From the foundation of the country, China has started the five-year plan to plan its economic development strategy. From 2016 to 2020, the plan is called 13th five year-plan. Every five-year plan will have several sub-projects, such as education five-year, science and technology five-year, energy five-year, etc. Now the five-year plan is not only the product of the central government, every province holds its five-year plan, and they will put the economic, political and social aims to plans, such GDP growth rate, poverty rate, etc. After the plans are formed, the fiscal resources and industrial regulations will support the aims of the plans. From the five-year plan we can know what the country will do in the coming five years.

Notification. The “notification” is less powerful than “opinions” and “decisions”. The notification can be made by the Party Central Committee or(and) the State Council, ministries, and upper governments. The notification is a guide to the lower government how to do, what to do, when to do. The lower governments need to implement or create the polices based on the spirit of notification.

Now we know than in China, the temporary documents more used in political and regulatory field, and even useful than official laws.

As for legal provisions reading and analysis, the main research field are Hukou system, land use system, fiscal budget, industrial parks, urban housing system, industrial policies.

Field Research and Interview

The research in this paper combined the qualitative and quantitative analysis. The qualitative part comes from the field research and interview. Field research is a kind of direct interview with the studies. As migrant workers are the very special groups in the society, the quantitative data could not tell all the perceptual

information of these people. Direct interview can bring personal stories of the migrant workers.

However, the researchers in field research should keep a distance with the interviewees, holding a view of outsiders. In fact, when talking with the migrant workers, due to their insufficient education background, I found their opinions were changeable and their information was always from mouth to mouth with little reasons. To tell about their stories, describing simply their situations and living conditions is an appropriate way.

To interview with the migrant workers, a good choice is to insert into their villages when spring festival. In the festival, lots of migrants return to their home village. Their migrant orientation is different, including several provinces.

In this research, the interviewees are not only migrant workers, but also farmers (not migrant, or potential migrant), urban residents, migrant worker employees, urban design officers.

Migrant workers. Migrant workers without urban Hukou, living and working in the cities. Often, they were construction workers. The migrant workers always introduce job opportunities to each other, and the young migrant workers will follow the relatives and friends to find works outside. They formed groups to seek jobs in cities. Thus, in a migrant concentrated area, one can interview certain groups of migrant workers. Especially in the construction field, there were always several groups of migrant workers from different provinces. I interviewed the migrant workers in the construction field of Peking University.

Another way to interview the migrant workers in their villages, and the spring festival is a good time. Almost all the migrant workers will come back to their home village to celebrate the festival, since they can not be accepted and integrate into the urban society.

Farmers. The field research in the villages can not only interview with the migrant workers, but also the farmers. They are often old people, without enough capacity to carry out constructive jobs in the cities. They chose to stay in villages to cultivate land or take some jobs in the small workshop nearby. They are always the ones who have big family to feed and parents or grandparent, children to care

for. The income from the land can only cover the cost of family, without any savings. These people will get savings sent from the young migrant workers outside. And interviewing them, one can get information about the actual social benefits in the rural areas, comparing with that of urban.

Residents. The urban residents are those who hold urban Hukou, regarded as urban citizens, and get social benefits from the municipal governments. The residents are always complaining the migrant workers accusing them for harming the security and environment. Normally they call migrant workers “strangers”. Migrant workers can hardly integrate into the society because of the different dialects and cultural background. To interview the residents are easy, and they will not hesitate to present their ideas about migrant workers.

Employers. The bosses who employed the migrant workers are a group. They are the residents in the cities but they usually stand with the migrant workers. They provide temporary dormitory to migrant workers. As a result, the activity range of the migrant workers are around the dormitory. Sometimes the bosses and the migrant workers will form a patron-client relationship. The employers will help and protect the migrants since they are strangers in the cities. However, the conflicts between bosses and migrants are also serious in terms of unpaid wages, occupational injury, unreasonable payment, etc. Normally the owners of factories in the eastern provinces (to the coast) prefer to employ migrant workers, because they are “cheaper” than urban residents. I participated in a program of investigating the employers in Zhejiang provinces, one of the richest provinces where lots of migrant workers move in. So, I can talk with these employers on their ideas about their migrant employees.

Officers. The officers are those who managed and executed the city policies, especially the cities’ policy for migrant workers. The main city policies are from central and provincial level of governments. The lower officers implementing the policies can only deal with small tricks to facilitate or impede the procedure. While they also have their ideas about migrant workers.

However, due to the heavy research cost, the field research could not have too many observations, and too more samples over provinces. Thus, the rest of research

will rely on the quantitative analysis. The quantitative analysis used the standardizing questionnaires, with large amount of observations.

Quantitative Analysis

The quantitative analysis is the method using regression functions to test the relations between variables. The quantitative analysis is widely used in both economic and political researchers. Regression on the data of single observations is called micro-econometrics. Normally the numbers of observations can be more than 10000.

In this research, three kinds of data are used to do the quantitative analysis.

Chinese General Social Survey, CGSS. CGSS from 2003, is the earliest national, constant academic survey projects. CGSS is led by Renmin university. CGSS collects the society, collectives, families, persons' data. Every year the CGSS research groups will choose counties and cities as examples, covering all provinces to collect personal survey data by young teachers and students. From the rules of CGSS, the data of CGSS will open every survey's original data and all documents to the publics two years after freely. It is the first wholly open and sharing social survey in China. Based on CGSS, the Chinese National Survey Statistics Database(CNSDA) was founded. Till the end of year 2014, CGSS users passed 20000. The research paper published using CGSS passed 700, and thesis of doctor and master more than 700. Beyond scientific research, the data is also used to teaching, public decision making and business.

The year of survey used in this paper is 2012, 2013, 2015, and the numbers of observations are 40014, 22354, 10968. The 2015's CGSS covers 476 villages in 28 provinces.

Web users survey is the sub survey of CGSS. In 2014-2015, the CGSS groups investigate 7910 persons from web, including their hukou, income, ideas about politics, feelings of inequality, etc. Netizens are a special group in China. In the era of political repression, the Internet has become an effective way for people to participate in political governance. People use the Internet to disclose corruption, expose inaction, and seek more stakeholders on the Internet to unite to defend their

rights. For young people from rural areas, they are not highly educated and cannot appeal through traditional political channels. But they can implement complaints of wishes through simple computer operations, and even dissatisfaction.

Migrants Population Dynamic Monitoring Survey Data, is a yearly national sampling survey on migrant people in the country from 2009. In 2009, the survey only worked in five big cities. In 2010, the data range enlarge to 100 cities. From 2011, the range covers all the countries. This survey is led by *National Health and Family Planning Commission of the People's Republic of China*. The NHFPCPRC is a ministerial level agency, which governing the population, family. The survey has about 300 variables and more than 200,000 observations. The survey has two sub-surveys: general survey and special survey. The general survey aims to collect the migrant families' basic information, migrant orientation and range, employment and social protection, revenue and expenditure, basic public health service, marriage and planning maternity, children and education, mentality and culture. The data collecting points cover all the 31 provinces where the migrants concentrated. The special survey is the special groups of migrants, or special domain of migrants, beyond general survey. The year of survey this research used is 2015, the number of the observations are 206,000.

Economic and Political Models

Economic models. Economist abstracted the economic fact into trade-off choices. The presentative agencies (household) act as act from selfish motives and to maximize their utility under constraints. The household can lend capital and offer labour to the production firms. In the market, the firms employ the capital and labour as productive factor to produce goods. The firms can set price or receive price information from the market. Then the firms will set prices and volumes of good to maximize its profits.

Political models. The model of political science aims to analyse the division of interests and the distribution of power among different political groups. In the concept of political science, people are first grouped, which is different from the assumptions about homogenous individuals in economics. It is precisely because of

the assumption of heterogeneous groups in political science that the interests of groups are locked differently, and the differences in social resources lead to different powers of political groups. In the study of this paper, workers from rural areas and urban residents are themselves two different groups. Urban residents have hukou, can participate in political decision-making, and enjoy the social benefits brought by the city. Rural residents are classified as immigrants and do not have political power in the city. Even so, rural residents are still Chinese nationals, have the constitutional political power, and these residents also create wealth and pay taxes in the city, so migrant workers also need to get the corresponding politics from the same effort to obtain the same power. Power and social welfare.

Game theory. Game theory has also become an important ideological tool for this article. Game theory is derived from economic analysis. It refers to different behavioural individuals or groups taking different strategic choices when making confrontation choices and seeking to achieve the final balance of interests. The traditional general equilibrium analysis is mainly to study the performance of homogenous individuals in maximizing income. The depiction of economic behaviour is too simple to reflect the complex real economy. Game theory mainly discusses the issue of interest confrontation between different groups and is a flexible tool that combines economics and political science. The basic elements of game theory include decision makers, decision sets, decision choices, and final decision scores. Game theory requires an optimal solution in the case where all individuals are striving to maximize returns.

2nd Part: The Dual Structure of Chinese Society : Origin, Development, and Reforms

The Urban-Rural Dual Structure

- The dual structure in economic theory

W. Arthur Lewis presented the idea of Lewis Turning Point in 1972. There are two stages of Points. According to the China's current condition, the labor has not been a kind of commodity freely in the process of urbanization. So the Chinese economists prefer to discuss the first Lewis Turning Point (W. Arthur Lewis 1972).

Based on the Lewis' theory, an underdeveloped country has dual structure in urban and rural economy: a backward rural place and a booming industrial urban area. The economic development process is the process when modern industrial domain expands compared to the agricultural domain. At beginning the population is concentrated in the rural area. The booming industrialization can absorb the labor from rural area with low cost. The price of labor remains in a low level. Because the pay in the industrial area can always be higher than that of agricultural area. But with the industrialization progress develops, a fact of shortage of labor offer will appear. The price of labor will increase according to the shortage of offer.

- Chinese dual structure origin

In fact, Lewis's dual economic theory has a good summary of China's reality. However, China's dual economic structure is not only the duality of the urban advanced sector and the rural backward sector in the economic sense, but also the urban and rural duality in the policy sense. This makes the economic duality in the natural sense and the binary in catching up with the strategy.

The most direct classification in the economic structure is traditional agriculture, handicrafts, and manufacturing industries that represent advanced productivity. In the fierce competition of countries, the classification of light industry and heavy industry, which is regarded as the basis of war, has also become

the mainstream. In the economic sector, priority is given to the development of sectors, and then various economic and political means are used to prioritize the injection of production materials into these sectors in order to achieve rapid development and modernization in certain sectors. In order to fulfill the objectives of these economic structural policies, a series of social and ownership policies must be adopted. The Stalinist industrial and agricultural scissors¹ of the former Soviet Union, the difference between the light and heavy industrial scissors was actually the basis of public economic and collective ownership. And after the founding of the country, China actually adopted policies based on the difference between industrial and agricultural sector.

- Chinese dual structure

Due to the implementation of the catch-up economic system and the style of the planned economy, the Stalinist economic model studied in China has imposed relatively large restrictions on capital and human capital from the beginning. Through a series of industry regulations, especially in the form of industrial and agricultural scissors, China's economic planning department has injected resources for economic development (mainly capital and high-quality manpower) into priority industries, and has gained rapid results in a short period of time. However, this Stalinist model did not bring economic modernization. And the planned economic system, despite the tremendous reforms after the reform and opening-up, still affects all aspects of the social economy, restricting the free flow of capital and labor, resulting in low efficiency of the factor allocation.

The history of China's modernization seems to face the problem of more or less sacrificing the interests of farmers. As far as China is concerned, as early as the beginning of the founding of the People's Republic of China, Liang Shuming²

¹ The difference in scissors refers to the difference between the price of industrial products and the value of agricultural products when the price of industrial products is lower than the value of industrial and agricultural products. This situation is named by the analogy of the form of opening with scissors. It shows the unequal exchange of the value of industrial and agricultural products. If the price deviates from the value difference is getting bigger and bigger, it is called expanding the scissors difference; otherwise, it is called narrowing the scissors.

² Liang Shuming (1893.10.18-1988.6.23), he is a famous modern Chinese philosopher, thinker and sociologist. He upholds the concept that China's cities and rural areas should develop in harmony, in stark contrast to Mao Zedong.

had argued with Chairman Mao in person. Liang Shuming believes that it is a nowhere to go to sacrifice agriculture, rural areas and farmers to develop industrialization and urbanization. Mao Zedong believes that in the process of industrialization and urbanization, farmers must pay a higher price. Just as they have unselfishly supported the Chinese revolution in the past, the urban-rural dual society is also a last resort for the huge China. Obviously, the latter kind of cognitive logic dominates the process of economic construction and social development in New China. According to estimates by the Chinese Academy of Social Sciences, in the era of planned economy, the price of industrial and agricultural products “scissors difference” caused farmers to pay a price of about 6,000 billion yuan. Some scholars have done a calculation in 2006. If we do not count the invaluable contribution of farmers during the revolutionary period, we do not count the paid credit funds provided by the rural savings to cities and industries, nor do we calculate the taxes and various taxes that farmers used to pay for the state. The accumulation of industrialization and urbanization provided by farmers after the founding of the country, the most conservative estimate is as high as 30 trillion yuan. The sacrifice of farmers, the difference in the identity of urban and rural subjects, and the dislocation of institutions based on this difference reflect the imbalance in China's modernization process.

- Imbalance of China's urban and rural policies

In short, due to the imbalance of China's urban and rural policies under the catch-up strategy, China's urban-rural dual structure has always existed. Within the city, the middle class is constantly forming, and the proportion of society continues to develop toward a stable structure. In the rural areas, the vast majority of the population is still low-income farmers. Even if these peasants enter the city to find a job in the modern industry, they can only get the same income return from the peasants, and they are restricted by the hukou system, and they cannot become urban residents in the true sense.

The restrictions on the household registration system. China's household registration system can be traced back to the Han Dynasty, but the modern household registration system is derived from the Stalinist economic and social

system. After the founding of New China, the central government established a strict household registration system in 1958 due to concerns about the influx of rural blindness into the city. Since then, China's population movement has been strictly controlled. In fact, this system also cooperates with the scissors of industry and agriculture, urban and rural areas, and controls the population, so that it is easy to subsidize the value of rural areas to industrial production. After the reform and opening up, the household registration system gradually loosened, and China entered a stage where the population was partially mobile. At a time when the physical mobility of the population is no longer restricted, the household registration system has increasingly evolved into a privilege of urban residents: the right to claim convenience for cities such as housing, employment, education, medical care, and social security. Due to the existence of the household registration system, non-local household registration workers often face greater discrimination in the job market. They need to pay more than the local residents to obtain the corresponding employment, and overcome the obstacles to obtaining local household registration. The household registration system is actually a huge isolation zone that divides urban and rural areas and employers from different regions, resulting in serious labor efficiency losses.

A large amount of labor is concentrated in low-income and inefficient sectors. The state-owned sector has been severely restricted by industry entry. High-income financial and scientific research departments require higher academic qualifications and skills. Other urban jobs also require corresponding local household registration. This makes rural residents either choose to stay in the inefficient agricultural sector, or enter the city to find private factories and construction teams, or enter low-income services such as catering and express delivery. Excessive labor force is pouring into the manufacturing industry during the period of rapid industrialization. These jobs can also improve their skills through secondary school and expect to achieve career advancement and salary improvement in their future careers. With the decline of the demographic dividend, the manufacturing industry began to lose its competitive advantage and gradually entered a period of low tide. After a large number of labor came out of the manufacturing industry, they could not enter the high-end service industry with higher entry threshold than the manufacturing

industry, but only low income. The service industry absorbs, it is difficult for these service industries to accumulate production skills through the role of secondary school. A large amount of labor still accumulates in low-income and low-efficiency sectors, which is a basic fact of employment in China. On the one hand, China's income gap has been consolidated at the industry level, and on the other hand, due to the low-income service industry. The accumulation of skills further increases the future gap between all levels of society.

- A big map of dual structure

By transforming the Chinese profession into the ISEI score of the international standard, we can find that Chinese society is in the unstable structure of the inverted T-shape(Li Qiang,2002). Although the 2002 data is indeed too old for the fast-changing China. However, because the analysis of social structure needs to use the national census data for calculation, the 2000 national census data is already the newer data used by the current research. And because China's household registration system has not undergone a major fundamental change, the population pattern of farmers and migrant workers has not changed significantly. 64.7% of people are in a very low score interval. This is the status quo in China: the proportion of the lower levels of society is too large.

The group of 23 accounted for 63.2% of all employed people. These people are basically farmers, including workers who plant crops such as fields and sheds, as well as agricultural and sideline products processing personnel, breeding personnel, animal husbandry personnel, garbage cleaners, and so on.

The number of people in the 29-31 group is slightly more, at 9.1%. Mainly construction workers, transport workers, transport workers, small factory employers, etc. Most of these people are migrant workers and township enterprise workers transformed by farmers. Their actual social status and living standards are close to those of farmers.

The next level is the teachers, general administrators, office staff, and corporate staff. These people are typical white-collar workers.

At a higher level are corporate managers, technology professionals, university teachers, and so on.

The highest level is financial institution executives, senior government executives, big business owners and so on.

In fact, there is very little in the hierarchy of migrant workers and migrant workers. The reality in China is that a large number of bottom-level workers are crowded in low-income industries that cannot achieve higher returns.

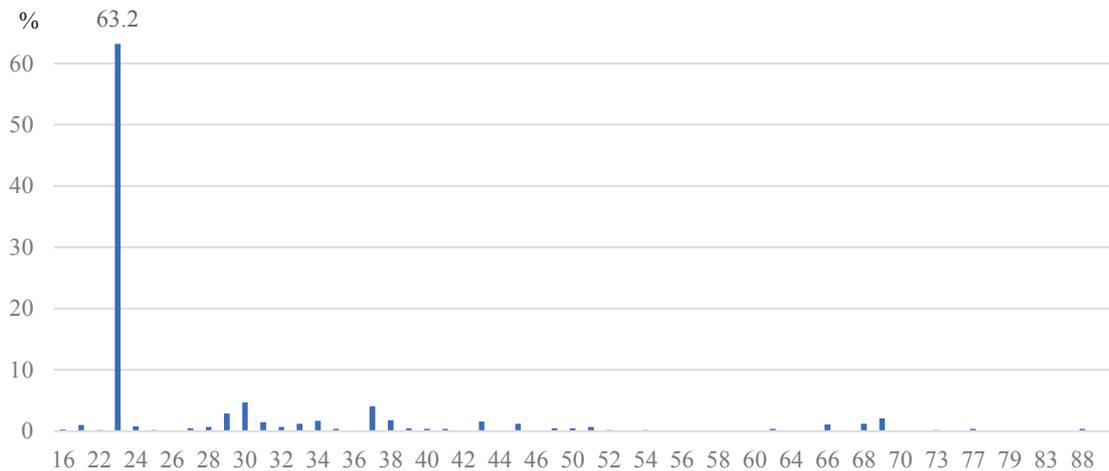


Figure 1 China's Socio-economic Status Structure as Measured by ISEI

Source: Li Qiang's "Ten Lectures on Social Stratification"

Note: The horizontal line is the ISEI score of the population, the higher score means higher economic and social status. The vertical line is the percentage of population with same ISEI score.

After the reform and opening up, China's urbanization has achieved rapid expansion and upgrading. From 1978 to 2013, the permanent population of urban areas increased from 170 million to 730 million, the urbanization rate increased from 17.9% to 53.7%; the number of cities increased from 193 to 658, and the number of established towns increased from 2173 to 20113. In particular, the three major urban agglomerations of Beijing-Tianjin-Hebei, Yangtze River Delta and Pearl River Delta have become the main platforms for driving China's rapid economic growth and participating in international economic cooperation and competition. However, this development is based on the fact that policy resources and social resources are highly concentrated in cities, depriving farmers of "enclosure movements" and exploiting cheap migrant workers. In particular, a large number of agriculturally transferred populations have become marginalized "tourists" who are institutionally excluded. They have not truly integrated urban

society. Instead, “new dual structures” and “urban diseases” have emerged within the towns. At the same time, the problems of left-behind children, women and the elderly in rural areas have become increasingly prominent, which undoubtedly brought many risks and hidden dangers to the economic and social development and the construction of governance order.

The Origin: Political Ideology of Modernization and Industrialization

Backwardness and Hope of Modernization

- Backward China and the desire for modernization

In the early days of the founding of the People's Republic in 1949, China's economic situation was very poor and society was very backward. This is a ruined country that has just been built from a semi-colonial society. From 1937 to 1949, after the War of Resistance Against Japan and the War of Liberation, the entire Chinese economy was extremely seriously damaged. In 1937, the highest output of China's grain was 140 billion kilograms, compared with only 112 billion kilograms in 1949. Cotton production is only half of what it was before the war. At that time, each person in the rural area earned about 400 kilograms of grain per year, and it was necessary to pay 80 kilograms of grain to the state. This burden is quite heavy. In 1949, China's modern industry only accounted for 17% of the total industrial and agricultural output value, and industrial production was very backward.

Because the country is very backward, the new Chinese government and people are eager to quickly realize the modernization of the economy and make the people live a happy life. The first National People's Congress held in 1954 clearly stated for the first time to realize the four modernization tasks of industry, agriculture, transportation and national defense. In 1956, this task was once again included in the party's eight major offices. Passed in the party constitution. On December 21, 1964, Prime Minister Zhou announced at the first meeting of the Third National People's Congress that "in a not too long historical period, China

has been built into a modern agriculture, modern industry, modern national defense and modern science. The socialist power of technology."

- Learning from Soviet Union

After the founding of the People's Republic of China in 1949, China's industrial base was very weak. Based on this basic understanding, the Chinese government has chosen a development strategy that aims to prioritize the development of heavy industry. Heavy industry is a capital-intensive industry that does not match the economic situation of China at the time. State functions reduce the cost of heavy industry development by artificially lowering the prices of capital, foreign exchange, energy, raw materials, agricultural products, and labor.

The formation of this strategic thinking is largely a product of studying the Soviet economic planning system. The Soviet Union had a debate on industrialization in the 1920s and decided on the choice of its development strategy.

After the implementation of Lenin's new economic policy by the Soviet Union from 1921 to 1924, the national economy was quickly restored. However, the proportion of modern industry in the Soviet Union is still small, and the backward agricultural economy still dominates. At that time, Soviet political leaders and economists launched an important debate on the national economic development strategy. The "coordinated development faction" represented by Bukharin³ and the "super-industrialization" represented by Preobrazhensky⁴ are the main ones.

³ Nikola Ivanovich Bukharin (October 9, 1888 - March 14, 1938), one of the leaders of the Communist Party (Bolshegal) Party and the Communist International, Marxist theorists and the economy Scientist. He has served as a member of the Central Committee of the Communist Party (Bolshevik) Party and a member of the Political Bureau, a member of the Communist International Executive Committee, a member of the Presidium, and a secretary of the Political Secretariat. Editor-in-Chief of Pravda. It was once known as the "the number one thinker in the party" of the CPSU. After Lenin's death, he stood with Stalin and played an important role in the struggle against the "new opposition" and the Tudor alliance. Later, due to differences with Stalin's political views, he was dismissed and expelled from the Soviet Union in 1929. On March 14, 1938, Bukharin was secretly shot and was only 49 years old. Bukharin was reclaimed in 1988.

⁴ Evgeny Alekseyevich Preobrazhensky (1886-1937). Soviet financial people's committee. Since 1923, Preobrazhinsky has become one of the leaders of the Trotsky School and the main theoretician, and has successively written many economic works reflecting the ideas of the school. The "social primitive accumulation" theory proposed in the first volume of the first volume of "New Economics" triggered a big debate within the party. He was expelled from the party in 1927 and resumed his party in 1929. However, he continued to be expelled from the party because he continued to maintain his

Bukharin places great emphasis on peasant issues and agricultural productivity. He believes that agricultural labor productivity and agricultural commodity rate are the basis for industrial accumulation and development. Sacrificing the interests of farmers not only cannot accelerate the pace of industrialization, but also poses great danger. Therefore, he advocated that industrialized funds should rely on their own accumulation, emphasizing that the national economic plan cannot be separated from the market system. The country should promote the development of light industry by developing agriculture and expanding the demand for light industrial products, and the development of light industry has expanded the demand for heavy industrial products. Through this, the development of agriculture has created a huge market for industrialization.

The "super-industrialization" has seen the rapid realization of the contradiction between industrialization and the state-owned industrial sector. They believe that the industrial sector cannot rely on its own accumulation to meet the needs of capital formation. They believe that the market and the plan are opposite. They advocated the use of monopoly status by the state, the use of industrial and agricultural products for unequal exchanges, the imposition of high taxes on non-public economic sectors and the implementation of inflation policies for compulsory industrialization. They do not allow market mechanisms to work. Economic development relies on the closed cycle of metallurgical, mechanical and auxiliary industries (complex of heavy industry), and agriculture is only passively providing funds and labor for industrial growth.

The discussion lasted from 1924 to 1927, when economists of the "super-industrialization" were washed out of the party. But after only one year, the "catch-up" strategy, which focused on accelerating and prioritizing the development of heavy industry, was written into the "five-year plan" of 1929. The plan stipulates that the net investment will increase by a quarter of national income to one-third, and three-quarters of this will be invested in heavy industry. In this way, the typical economic development strategy was practiced for the first time, and the Soviet economic management system was formed.

position. In the so-called "anti-Suto faction case" in January 1937, he was framed and ordered to appear in court, but he refused to appear in court and was executed as "the enemy of the people." In 1988, he was reclaimed.

In China, the strategy of giving priority to the development of heavy industry is directly established in the form of a national economic plan. The first five-year plan⁵ period was 1953-1957. This plan clearly pointed out that the central link of China's socialist industrialization is to give priority to the development of heavy industry. The basic task of the first five-year plan was to concentrate on building 156 industrial projects designed by the Soviet Union. The plan calls for the establishment and expansion of the power industry, the coal industry, and the petroleum industry; the establishment and expansion of a modern steel industry, the non-ferrous metal industry and the basic chemical industry; the establishment of large-scale metal cutting machine tools, power generation equipment, automobiles and aircraft. During the implementation of the first five-year plan, heavy industry investment accounted for 85% of industrial investment and 72.9% of total economic investment.

Form an Economic Structure : Economic Catch-up Strategy

- Towards a fast development strategy

It is a catch-up strategy to pursue a strategy of prioritizing the development of heavy industry beyond the stage of development, regardless of resource constraints. In an open competitive market, heavy industry requires higher capital costs and a longer return on investment, which is not competitive and viable. Therefore, the strategy to develop industries that are not viable is to catch up with the strategy.

In China, the challenge of implementing the catch-up strategy⁶ is how to mobilize resources to support heavy industries that are not viable. Because the

⁵ The five-year plan, dubbed the Outline of the Five-Year Plan for National Economic and Social Development of the People's Republic of China, is an important part of China's national economic plan. It is mainly to plan for major national construction projects, distribution of productive forces and important proportions of the national economy, and to set goals and directions for the prospects for national economic development. China began its first "five-year plan" in 1953.

⁶ The catch-up strategy refers to adopting the method of distorting the price of products and factors and the institutional arrangement of replacing the market mechanism with the planned system, improving the ability of the state to mobilize resources, breaking through the comparative disadvantages of scarcity of funds, restricting the development of capital-intensive industries, and

economy is very large, it is necessary to levy taxes on other economic sectors simply by relying on government subsidies. However, the main economic sector at that time was agriculture, which was small and scattered, and the government had low taxation capacity in rural areas. Therefore, to establish a development model for subsidizing heavy industry, it is necessary to carry out a government control mechanism different from market regulation. Specifically, it is necessary to artificially reduce the cost of developing heavy industry, so that the allocation of resources is conducive to the development of heavy industry, including the provision of cheap labor, capital, raw materials, machinery and equipment for heavy industry development. At its core is the role of comprehensive exclusion of market mechanisms, artificially distorting the relative prices of production factors and products.

Using non-market-oriented distortions and depriving rural surplus value to subsidize the development of heavy industry is the core idea of catching up with economic strategy.

- The price of the element being depressed

Low wage levels. Since the 1950s, China has implemented a unified wage system. According to the total wage and average wage plans issued by the state, an eight-level wage system is adopted for production workers. Since 1956, the country has implemented uniform wage standards for state organs, enterprises, and institutions. The standard, grade, upgrade method and salary growth rate of wages are all stipulated by the central government, and local and enterprises have no right to adjust. The wage pricing under this policy is very low. Until 1978, the average annual wage of employees in most years was below \$100.

Low interest rate policy. In May 1950, the industrial credit loan interest rate was 3.0% per month, and the interest rate was greatly reduced in a short period of

then making the industrial structure Achieve the development strategy of the advanced level of developed countries. There are two types of countries that choose this kind of development strategy: one is the socialist countries represented by the former Soviet Union and China; the other is the non-socialist developing countries of Asia and Central and South America represented by India and Argentina. This development strategy, in spite of resource constraints, to catch up with developed countries with heavy industry and even the entire industrial system is actually a strategic vision that goes beyond the development stage. Therefore, this is an image summary of the priority growth of heavy industry and the import substitution strategy.

time. In July 1950, it was adjusted to 2.0%. In April 1951, it was adjusted to 1.5%-1.6%. In January 1953, it was adjusted to 0.6-0.9%. In 1954, it was adjusted to 0.456%. It has remained at such a low level in the future.

Low exchange rate policy. In countries with scarce capital, the currency prices of domestic currencies relative to other countries tend to be very low, which is very unfavorable for heavy machinery to import machines. In order to ensure that key projects can import the necessary key equipment at a very low price, the government intervened to intervene in foreign exchange prices. Overestimating the price of the domestic currency and implementing a low exchange rate policy have become an important safeguard for the priority growth target of heavy industry. In the more than one year from March 1950 to May 1951, China has depressed the exchange rate of the renminbi and the US dollar for 15 consecutive times. The exchange rate changed from 420 yuan/100 dollars in March 1950 to 223 yuan/100 dollars in May 1951. Later, the RMB exchange rate has been under the control of the state. By July 1978, the exchange rate of the people was 172 yuan / 100 US dollars.

Decrease the price of agricultural products. The low wage rate reduces the ability of urban wage earners to purchase necessities. If they are faced with a market-determined price system for necessities, lower wages may not be enough to purchase the consumer goods and services necessary for their lives, which will affect heavy industry. The solution to this problem is to implement a low-price policy for agricultural products and other necessities and services, and to reduce the cost of labor reproduction to make it compatible with low labor compensation. In fact, through this mechanism, a large portion of the high-accumulation costs of heavy industry are transferred to traditional economic sectors such as agriculture. The price policy for the priority development strategy of heavy industry has distorted the price level of essential necessities such as agricultural products and institutionalized this distortion for a long time. Since 1960, the official Chinese consumer goods prices have been much lower than the prices of consumer goods in

rural fair trade. The official price of the country is about twice as high as the market trade price.⁷

Combining A Social Structure : Control Productive Unit and Labor

In a market economy environment, it is difficult to artificially lower prices to subsidize heavy industry. Because once the price is lowered, it will result in a shortage of supply of products and a strong demand, resulting in a product run. Therefore, while implementing the catch-up economic strategy, it is necessary to cooperate with a complete set of social control systems. And this is the social control system that forms a huge gap between China's deep-rooted cities and rural areas.

- The formation of a material management(control) system

In order to prevent the run-up caused by the shortage of materials, the state began to establish a strict planned economic system, and strictly control the distribution of materials through the material management system. After the establishment of the China Planning Economics Committee in 1953, it began to implement a system of unified distribution of important materials across the country, dividing the materials into (1) materials uniformly distributed by the state, and (2) materials allocated by the central industrial authorities, and (3) Three types of materials, such as local management, are managed. From 1953 to 1957, the number of industrial products directly distributed by the central government increased from more than 110 to more than 300, accounting for 60% of the total industrial output value, thus realizing the direct allocation of materials required by the state for economic construction.

The establishment of a unified purchase and sale system for agricultural products. The lowering price policy for agricultural products not only suppresses the enthusiasm of farmers for production, but also reduces their enthusiasm for selling products to the country. The state-owned commercial sector is a competitor in the

⁷ The market price refers to the actual price of agricultural products, while the national price is the price at which the state compulsory purchase of agricultural products. The difference between the two is the part of the country that deprives agricultural products of value.

market of agricultural and sideline products. At this low price, the acquisition task cannot be completed. In order to ensure the consumption of urban residents and the supply of raw materials for processing enterprises, it is necessary to implement trade monopoly on major agricultural and sideline products. The system of the purchase. The state then began to monopolize the purchase and sale of agricultural products, and farmers must sell most of the products to the country and distribute and sell them by the state. In November 1953, the Central Committee of the Communist Party of China and the Administrative Council issued separate orders to implement planned acquisitions and planned supply of oil and grain. In August 1955, the State Council promulgated the "Interim Measures for the Unified Production and Marketing of Rural Grains", which stipulated specific measures for fixed production, ordering and sales. In 1958, the State Council promulgated the administrative measures for the classification of agricultural products and other commodities, and further institutionalized and legalized policies such as the purchase, marketing, and purchase of agricultural and sideline by-products.

- Urban unit control

All the enterprises in the city have undergone nationalization. At the same time, the company's profits and depreciation funds are all turned over and included in the state budget, and enterprises no longer have the autonomy to operate. The investment funds required for the construction of enterprises are all solved by the state's financial allocation, and the liquidity produced by the enterprise is also paid by the financial department on a fixed basis. In addition, employees of state-owned enterprises become part of a state-owned enterprise with a lifelong system, and the descendants of employees can replace the parents to enter the state-owned enterprise to work. The employees of state-owned enterprises live in a dormitory. This is like a big family, living together, working together, not changing in life, even their children can repeat this life. The total salary and salary distribution of enterprises are completely arranged by the state plan.

- Rural productive cooperation unit

Establishing a system of unified purchase and marketing of agricultural products is only the first step in the formation of the traditional system of rural

economy. People's communalization is the symbol of the complete formation of the rural economic system that is compatible with the economic catch-up strategy. In order to facilitate the implementation of low-cost acquisitions and increase the number of agricultural products purchased at low prices, the speed of collectivization has suddenly increased. In 1952, when the nationwide land reform was basically carried out, the farmers participating in the agricultural production mutual aid group accounted for 39.9% of the total number of farmers in the country, and the farmers participating in the agricultural production cooperatives accounted for only 0.1% of the total number of farmers. Until 1955, the Agricultural Production Mutual Aid Group remained the main form of mutual cooperation in agricultural production. 50.7% of the farmers participated in the mutual aid group, and only 14.2% of the farmers participated in the collective cooperative. The number of farmers participating in agricultural production cooperatives increased from 14.2% at the end of 1955 to 80.3% at the beginning of 1956, and then increased to 96.3% at the end of the year. By the end of 1958, the number of farmers participating in the People's Commune reached 127 million, accounting for 99.1% of the total number of farmers. Since then, farmers no longer own private property, and all means of production are attributed to rural collective ownership. Farmers can only get very little income and get a small amount of food by participating in rural collective labor. There is a shortage of supplies in the countryside and the entire countryside is very poor.

- Hukou system

Workers living in cities can obtain higher wage returns than rural residents and can obtain more abundant supplies. But farmers can only get very little income, and they need to work hard in the fields every day. This has created a huge gap between rural and urban areas, and rural residents have begun to flock to cities for jobs. Therefore, the state has established a system of strict control of population movements - the household registration system. The establishment of the household registration system is the basic support for catching up with the economic development. Only by controlling the flow of people can farmers be

locked in the countryside and subsidize the development of heavy industry through the acquisition of agricultural surplus value.

Revolution of Hukou System

This section focuses on the progress and evolution of the household registration system.

In the history of China, the household registration system existed from the Warring States Period more than 2,000 years ago. Since China has always been a large agricultural country, the main purpose of the establishment of household registration is to obtain population information in order to better tax the population and implement the military service system.

After the founding of the People's Republic of China in 1949, the Chinese people were once free to move. In the first constitution of China in 1954, there was a provision that “citizens of the People’s Republic of China have the freedom to live and migrate”.⁸ However, in the 1975 Constitution, there were no more provisions on the free movement and migration of the population. This reflects China's major shift in the population mobility policy.

The history of population movement after the founding of New China can be divided into three stages. From 1949 to 1958, it was a completely free-flowing era. From 1958 to 1978, it was a period of strict control of population movements. From 1978 to the present, it is a period of partial open flow.

- 1951-1958 completely free-flowing period

1951-1958, The household registration system was established and consolidated step by step.

On July 16, 1951, the Ministry of Public Security formulated and promulgated the “Provisional Regulations on Urban Hukou Management”, which was the earliest household registration regulation after the founding of the People’s Republic of China, thus basically unifying the household registration system in cities across the country. This document stipulates that the household registration is managed by the public security department, and the household registration is

⁸ Article 9 of the 1954 Constitution

divided into six types: households, industrial and commercial households, apartment households, ship households, temple households and foreigners.⁹ And if the guest is required to stay for more than three days, it needs to report to the public security department.¹⁰ At the same time, government departments, groups, schools, military, and factories are divided into public households, or collective accounts.¹¹

In June 1955, the State Council issued the "State Council's Instructions on Establishing a Household Registration System." This directive officially established a household registration system nationwide. It also stipulates the registration and administration of household registration in the country. The organs of the civil affairs department of the Ministry of the Interior and the people's committees at or above the county level, and the organs for registering household registrations are public security police stations in cities and towns. The towns and towns that do not have public security police stations are township and town people's committees.¹²

- 1958-1978, a period of strict control

In January 1958, the "Regulations on the Registration of Household Registration in the People's Republic of China" was officially promulgated, and the Chinese government began to impose strict restrictions on government free movement and government regulation. This document specifies agricultural and non-agricultural hukou for the first time and strictly controls the ratio between the two. This practice in fact abandoned the 1954 Constitution's provisions on freedom of movement. This document stipulates that citizens who move from rural to urban areas must hold a certificate of employment from the urban labor department, a certificate of admission from the school, or a certificate of admission from the city registration authority, and apply to the permanent residence registration authority for removal procedures.¹³ At the same time, it is stipulated that if a citizen leaves the permanent residence for private affairs and stays temporarily for more than three

⁹ Article 3 of the Interim Regulations on Urban hukou Management

¹⁰ Article 6 of the Interim Regulations on Urban hukou Management

¹¹ Article 9 of the Interim Regulations on Urban hukou Management

¹² Article 1 of the State Council Directive on Establishing a Household Registration System

¹³ Article 10 of the Regulations on the Registration of Household Registration of the People's Republic of China

months, he/she should apply to the household registration authority for an extension of time or apply for a transfer procedure; if there is no reason to extend the time and no migration conditions, he/she should return to the permanent residence.¹⁴

That is to say, if rural residents want to live in the city, they need the certification materials issued by the government. And if you stay in the city for more than three months, you need to apply to the government for an extension of your stay and you need to have a reason to live. In fact, in those days, if rural residents wanted to live in the city for a long time, there was only one channel: that is to go to college. However, this opportunity is almost very embarrassing. Luo Ruiqing¹⁵, then Minister of Public Security, explained the document that strictly restricted population movements. "The phenomenon of blindly flowing rural people into cities is more serious. Some institutions and enterprises have not seriously implemented the policy of tightening urban population, or even privately. Recruitment, casually write letters to the rural households to claim the hukou; some units for people who do not have hukou from the rural areas, do not actively assist the government to mobilize to return home, but use some of the facilities and enterprises to allow them to live for a long time.", Therefore, this document is for the rural population to blindly enter the city. At that time, the government believed that China's urban labor force was already too much, and rural production had great potential and could accommodate a large amount of labor. Therefore, the government is mobilizing cadres and graduated from primary, secondary and primary schools to go to the countryside and restrict the rural population from entering the city.

- 1978-2018, partially opened

From 1978 to 2018, China's household registration system gradually collapsed and the mobility of the population gradually increased. In fact, the household registration system established in 1958 has strict control over population

¹⁴ Article 16 of the Regulations on the Registration of Household Registration of the People's Republic of China

¹⁵ Luo Ruiqing (1906-1978), one of the important leaders of the Chinese People's Liberation Army and the People's Republic of China. After the founding of the People's Republic of China, he served as Minister of the Ministry of Public Security, Vice Premier of the State Council, and Chief of Staff. He was awarded the rank of general in 1955. He was brutally persecuted during the Cultural Revolution. He reinstated in 1977 and died in 1978 when he went to the Federal Republic of Germany to treat leg diseases.

movements. After China began to implement reform and opening up in 1978, reforms around the household registration system began.

In October 1984, the State Council issued the "Notice on the Entry of Peasants into Set Towns." This document allows farmers to settle in the town by self-care rations.

In July 1985, the Ministry of Public Security promulgated the Interim Provisions on Urban Population Management. The agricultural hukou was converted to non-agricultural urban hukou, and the internal indicators were set at two-tenths of a year.

In June 1997, the Ministry of Public Security issued the "Pilot Program for the Reform of the Household Registration Management System in Small Towns and the Opinions on Improving the Rural Household Registration Management System", which clearly stipulates that if people who work from rural areas to small towns purchase commercial housing in small towns, one can apply for permanent residence in the town.

In March 2001, the Ministry of Public Security issued the "Opinions on Promoting the Reform of the Household Registration Management System in Small Towns", and no longer implemented the management of planned indicators for those who handle permanent residence in small towns.

However, despite the gradual liberalization of small town hukou, the restrictions on hukou in big cities like Beijing and Shanghai are becoming more and more strict.

Hukou System and Unequal Rights

From 1958 to 1978, it was the era of the strictest restrictions on the Chinese household registration system. The conversion of rural household registration to urban hukou is strictly controlled. Due to the implementation of the economic catch-up strategy, the rural surplus value was deprived for the industrialization of the city. This has created a huge living gap between rural and urban areas.

- Social benefits difference

Food supply gap. In the context of the economic catch-up strategy, light industries such as food are not valued, resulting in an extreme shortage of these

consumer goods. In order to ensure economic production under the shortage of consumer goods, the state adopted a ticket system. The state uses a form of distribution to give each family a certain amount of tickets, which can be exchanged for a certain amount of food, tobacco, alcohol, cloth, and so on. Food has food stamps, wine has wine tickets, cloth tickets and so on. In the era of payables, monetary income can only be used in very high-end restaurants or rural markets, but the price is much higher than the price of the product represented by the ticket. In rural areas, primary consumer goods are produced, and the state strictly controls the low price of food through the form of people's communes. Farmers who have participated in a year of labor can only obtain a food supply that barely survives and cannot afford to eat. In the city, there is a relatively rich supply of food. Because the city is where the industry located, there is a need to ensure food supply. In this context, in the event of a disaster, large areas of famine are prone to occur in rural areas.

Income and savings gap. Workers working in the city's factories can get higher wage income, as well as a wealth of tickets, can be exchanged for all kinds of items that cannot be purchased in currency, and they can rest on various holidays. Farmers working in rural people's communes can only obtain a score calculated by the labor force, called "Working score". This score is not based on the amount of work of the individual, nor the type of work, just according to the status of each workforce and the time of work. For example, an adult male is nine points a day, and a woman and an old man are six points a day. Rural families can only rely on the points accumulated by these labors to exchange various types of tickets and then exchange food. Because there is no labor incentive, the peasants' labor enthusiasm is lack and their income is also low. It is normal for a family to be unable to eat. And even if one has savings, he could not buy any property or productive livestock, because that would be considered the "tail of capitalism."

The gap in career advancement. Workers in the city, after a certain working age, can get promoted if they have achievements. They will be promoted to workshop director, department manager and factory manager. Due to the identity of the state-owned enterprise system and the government official system, they can even be promoted to government officials. However, in rural areas, peasants can

only be farmers as a lifetime, and there is no opportunity for career advancement. Since the labor is more and less, only the same “Working point” can be obtained, and there is no possibility for promotion.

Educational, medical and social security gaps. Workers in the city can get a whole set of socialist education, medical and social security services. These services are the responsibility of the factories in which they operate, as large factories often set up schools, hospitals and nursing homes to serve their employees. And because the company does not have the autonomy to operate, these social welfare expenditures are also through the state's financial allocation. But in the countryside, there is no such social welfare at all. Compulsory education is rare, and rural medical care relies on doctors who are volunteers to go to the countryside. Pension and security are almost blank.

- Social mobility

Flow restrictions between regions. The purpose of the household registration system is to limit the flow of rural population to the city, resulting in the pressure of public governance in the city. But this regional mobility restriction created restrictions on social mobility. Urban residents and rural residents were divided by policy and artificially. Rural residents can only enter the city if they are on a business trip, and they must obtain approval from the higher authorities and obtain permission to live on a regular basis. The duration of these licenses is short, often only a few days or weeks. If there is no such permission, the so-called "introduction letter", hotels in the city are not allowed to take in these passengers. And because rural food and urban food are classified differently, they need to be exchanged with different tickets, so even if farmers enter the city to find a foothold, they will not get food to survive.

Social mobility restrictions between generations. The flow barriers between cities and villages are social restrictions on intergenerational mobility. Urban workers' children, after their parents retire, can replace their parents into the original factory work, thus forming a hereditary system of work. In the countryside, the children of the peasants can only continue to be farmers and do the same work as their parents. Social mobility was extremely low at that time.

Development : Rapid Urbanization in China

Industrialization and Its Elements

After the reform and opening up in 1978, China began the process of rapid industrialization and urbanization. China has been able to achieve rapid industrialization, mainly due to two major factors. One is a very cheap labor force, and the other is a very cheap land.

- **Low cost labor population dividend**

China's labor force is very cheap, relative to urban workers. After decades of development, the working class in Chinese cities cannot be considered a low-cost labor force. Because although their wages are very low, they have sound social welfare such as education, medical care, and social security, and the social welfare are all national financial expenditures.

But the rural labor force is different. The rural labor force does not have social welfare. When they go to work in the city, most of the time they will not sign labor contracts, so their working is not protected by labor laws. Companies only need to pay their monthly or quarterly payments, and some companies even pay their annual payments.

Therefore, China's "demographic dividend" refers to the low cost of rural surplus labor. In the reform and opening up of 1978, China's total population was 960 million, and the rural population was 790 million, accounting for 82% of the total population. These rural populations have been restricted by collective ownership for many years and their incomes are very low.

In 1978, the per capita income of rural China was only 113 yuan, and the per capita income of the city has reached 334 yuan. Regardless of the cost of social welfare expenditures, the labor cost of cities is already 2.5 times that of rural areas. If social welfare expenditure is considered, the labor cost of the city will be 3-4 times than that of the rural area.

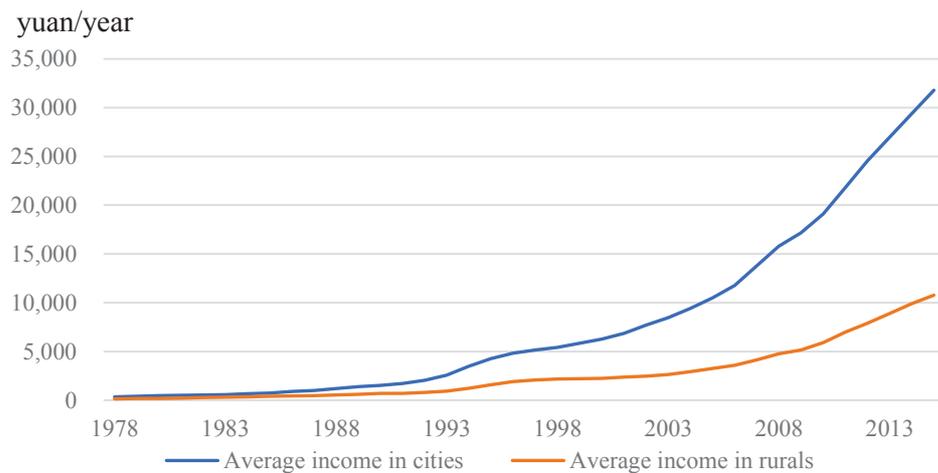


Figure 2 The Average Income in Urban and Rural Areas

Source: National Bureau of Statistics

- Low price land

China's land prices are also very cheap. This is not because China has lots of land. On the contrary, China's land is very scarce relative to the population. China's land is cheap because China's land is not marketized. When the government promotes large-scale industrialization, the government can expropriate land from the countryside at a very low price and “distribute” it to industrial enterprises at zero cost.

In fact, in the first few years after the reform and opening up in 1978, the multi-purpose use of land in China was relatively loose. The rural areas can use the surplus land as construction land and carry out business operations for township enterprises¹⁶. But after the 1990s, China's land use control became more and more strict. Cultivated land can only be converted into construction land through the government. The government often gets the land at a very low price and gives it to industrial companies at very low prices or rents.

¹⁶ Township enterprises: refers to collective, cooperative, and individual enterprises organized by farmers. The township and village enterprises are independent economic entities. They have the following characteristics: 1. production and marketing activities mainly rely on market regulation; 2. most of the employees implement the labor system of labor and agriculture, and flexible and diverse distribution systems; 3. close contact with the surrounding countryside, easy to use local Various resources; 4. lots of distribution points, easy to directly serve all types of consumers; 5. a wide range of operations, almost all walks of life; 6. smaller, more flexible to adapt to the changing market demand.

The prices of commercial land and industrial land also vary widely. In terms of land prices, the government's subsidies for industrial enterprises are also very generous. The price difference between commercial land and industrial land in China is significant. The government sells commercial land to obtain high returns to make up for the low prices of industrial land. Generally speaking, the land given to industrial enterprises by the government is cheap, or free of charge, so-called "political allocation". In fact, the price of industrial land has not risen significantly over the years, while commercial land has doubling over the past few years. In 2008, commercial land was 3.7 times the price of industrial land. In 2017, ten years later, this ratio has become 9.7 times.

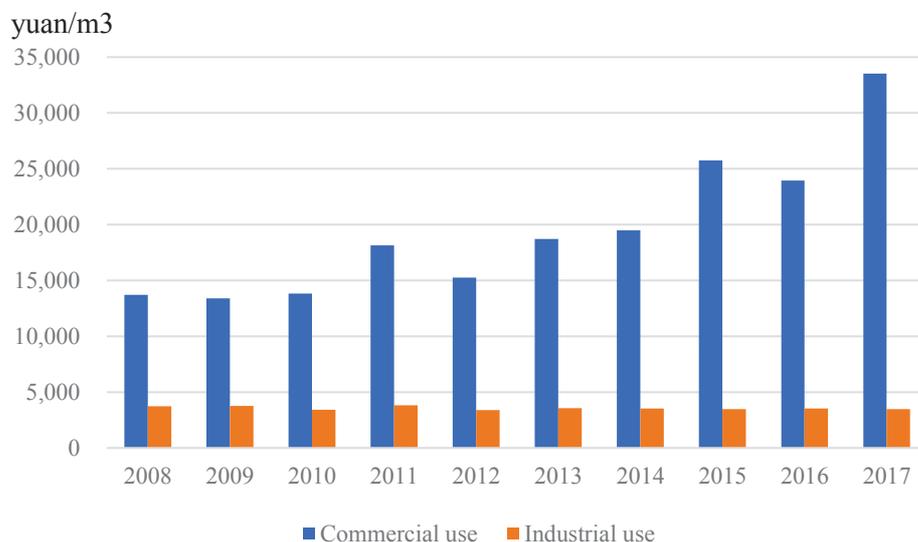


Figure 3 Commercial Land and Industrial Land Prices
in 100 large and medium-sized cities in China

Source: Ministry of Land and Resources

Urbanization Led by Industrialization

China's industrialization has driven rapid urbanization. This is manifested in several aspects: the rapid expansion of the city, the increase in the proportion of urban employment, and the increase in the urbanization rate of the population.

- City booms and infrastructure development

The expansion of China's urban area and the massive investment in infrastructure are significant manifestations of urbanization in China. From 1990 to

2015, China's urban area expanded from 8,000 square kilometers to 50,000 square kilometers, a full expansion of five times. China's urban expansion is different from the population concentration under Western natural economic conditions. In a natural economic environment, cities thrive because of the natural accumulation of population. But in China, the first is the concentration of industries led by local governments to drive industrialization and population concentration, which is the expansion of the original city, not the establishment of new cities.

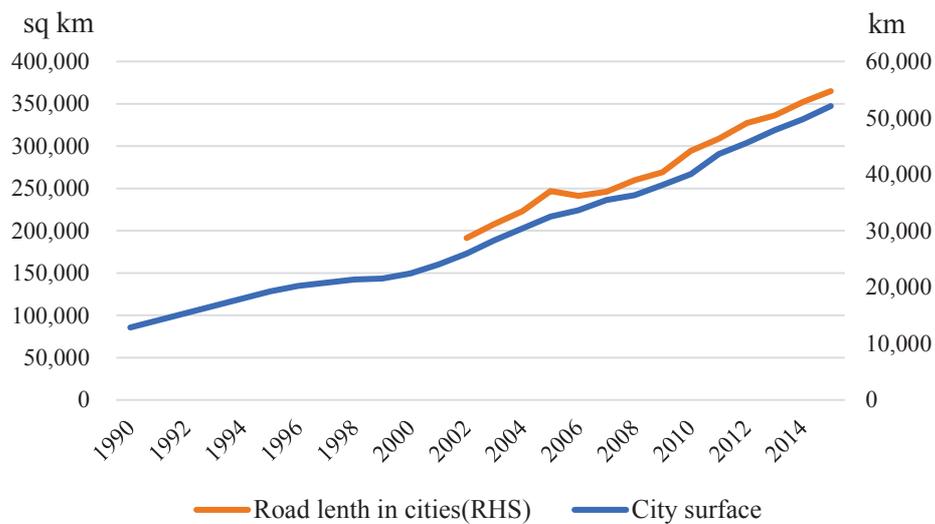


Figure 4 Chinese City Surface and Road Length

Source: National Bureau of Statistics

- The proportion of urban employment has increased

In the process of rapid industrialization, labor income in cities is much higher than in rural areas. Therefore, the surplus labor force in the countryside enters the city to seek work. This has led to a rapid increase in the proportion of urban wage labor. From 1990 to 2015, the proportion of urban employment in the country has rapidly increased from 26% to 52%, doubling. Rural laborers enter the city to participate working, and we call them “migrant workers”. These migrant workers do not have the opportunity to work in the public and official organization such as government of state owned enterprises, but can only work as temporary workers such as construction workers, couriers, and low-end restaurant waiters.

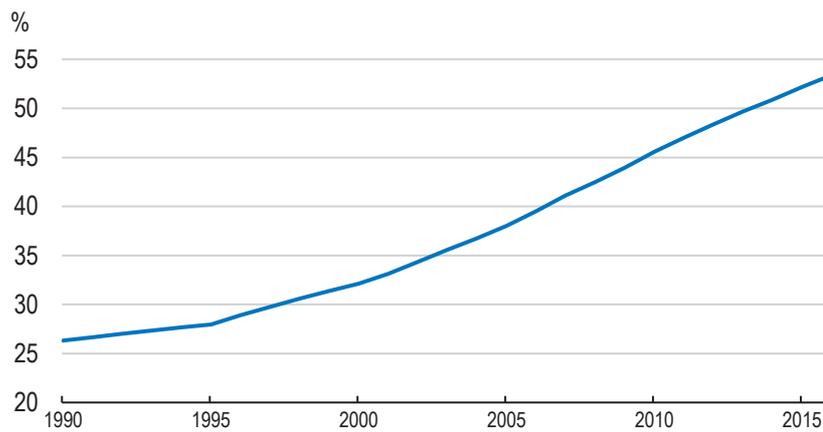


Figure 5 Employment Share in Cities

Source: National Bureau of Statistics

- The rate of urbanization has increased

In China, urbanization rates generally have two definitions. One is the urbanization rate of the resident population, and the other is the urbanization rate of the registered population with Hukou. The official announcement is generally the rate of urbanization of permanent residents. The urbanization of permanent residents refers to the proportion of the population who live in cities all the year round, although a large proportion of them are still rural Hukou. The urbanization rate of the household registration population refers to the proportion of urban household registration to the whole country.

In the 1970s, the two levels of urbanization were similar, with only 15-18%. However, since the reform and opening up, with the influx of large rural population into the city, the number of peasants who have lived and lived in the city for a long time has increased rapidly. However, these people do not have an urban hukou and cannot enjoy the social welfare of the city. For a long time, the urbanization rate of China's resident population is 15 percentage points higher than the urbanization rate of the household registration population. In 2014, this gap reached 18%. In the subsequent 2015-2017, this difference has dropped.

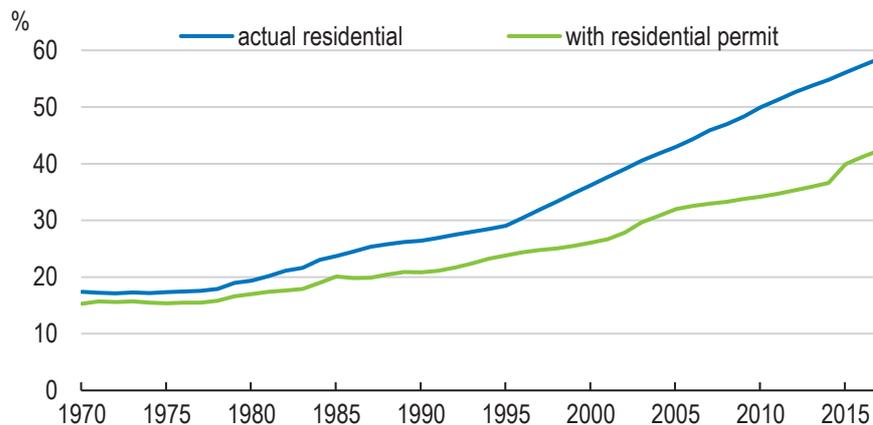


Figure 6 Urbanization Rate in China

Source: Ministry of Public Security

Citizenship in Urbanization

After the reform and opening up, the citizenization of Chinese cities includes two processes. The first is that the original urban population is separated from the enterprise unit and lives independently in the city. Then the rural population enters the city and seeks the transformation of rural hukou to urban hukou. The first process is progressing smoothly, while the second process is full of conflict.

- Urban unit break up

The first step in citizenship in Chinese cities is the disintegration of traditional units. Prior to 1978, in Chinese cities, urban residents worked to organize all social benefits, including the establishment of hospitals, schools, and various welfare facilities, and even the construction of employee apartments. And these expenditures come from the state finances. With the promotion of reform and opening up, social welfare such as hospitals and schools have been separated from enterprises and become independent business units. The company is no longer responsible for the construction of employee apartments. With the reform and restructuring of state-owned enterprises, a large number of state-owned enterprises workers were dismissed. Traditional workers who rely on the unit to survive can no longer live in a big family like a "cooperative unit", but can only find their own jobs and residences and rely on income to pay for the various expenses of the

society. The people living in these cities have truly become the "residents" of the city.

- The citizenization of migrant workers

The second step in citizenization is the process of farmers in the city seeking to get an urban hukou and integrate into the city. After 1978, it was no longer difficult for farmers to enter the city. The state allowed farmers to bring their own food into the city to find work, while also allowing them to live in the city. A large number of farmers work in big cities. They have contributed youth and passion to the construction and development of the city, and they have also paid taxes. However, they do not enjoy the benefits of the city. More critically, their children cannot go to school in the city, which makes the distance between the city and migrant workers always separated.

- Citizenship conflicts

However, the urbanization of migrant workers has encountered very serious conflicts. Because migrant workers enjoy the welfare of the city, it is necessary for the city's government to pay a very high price: to build more schools, hospitals, and to pay higher pensions for the elderly migrant workers. This makes urban residents very resentful because they have to compete with new migrant workers for public resources. Under the encouragement of the original urban residents, the local government has taken many measures to resist the entry of migrant workers. And they have emptied and demolished the illegal buildings temporarily occupied by migrant workers and restricted the employment opportunities of migrant workers.

The Basic Logic of Urbanization : How Government Operates

Officer Promotion and Economic Development

The official promotion of Chinese officials has a lot to do with local economic development. The most direct indicator of economic development is the GDP growth rate, and the most likely to drive GDP growth during the industrialization period is fixed asset investment. Therefore, for the main leaders of local governments, encouraging investment is the main goal of their implementation.

Encouraging investment can have two channels, one is to promote investment in industrial enterprises, and the other is to promote investment in the government's own infrastructure construction. After promoting the investment expansion of industrial enterprises, not only can the current investment be counted in GDP, but the future production capacity of the enterprise can also bring about GDP growth. The local government's own infrastructure construction and large amount of capital investment are very conducive to driving GDP growth.

Promotion and GDP growth. In China, because economic construction is an important national strategy, the main achievements of local governments are the local economic development. Where GDP growth is fast, local government officials are considered competent and more likely to be promoted. The local government frantically carried out infrastructure construction and investment promotion for the sake of GDP assessment.

Budget and investment. But local governments cannot invest in infrastructure without restrictions because they also face financial revenue and debt pressure. Local governments must first use taxes to pay for public service expenditures of residents, and at the same time rely on debt to invest in infrastructure. The local government is very clear that to conduct investment promotion, it is necessary to complete infrastructure investment. Only if you have a good business-based environment, companies are willing to settle in. This has created a paradox: a large amount of infrastructure is needed to obtain corporate investment, and only corporate investment can be taxed. If local governments rely solely on taxes and a small amount of debt to invest, the process of industrialization and urbanization will lag far behind the current situation.

A best choice: land sales and industrial park. In this dilemma, local governments have an optimal choice to sell land for sale and industrial park construction. Local governments first levy cheap land from rural areas and give farmers meager subsidies. Then, part of this land is commercialized for sale to obtain land transfer income, and on the other hand, these benefits are used for infrastructure construction. After the completion of the infrastructure, the local government concentrated resources to build a large number of industrial parks. Hardware services and software services are available in these campuses. Local

governments have in turn attracted a large number of manufacturing and commercial enterprises to enter the park. Finally, the industrialization and economic development of the local industry will be realized.

Land Use Regime and Land Sales Revenues

- Constitution version 1954,1975

After the founding of the People's Republic of China, the change of ownership and use of land in China can be seen in the constitutional amendment. At the beginning, the land was owned by the peasants. The 1954 Constitution clearly states that, the state protects farmers' ownership of land and other means of production in accordance with the law.¹⁷ However, with the increase in the degree of collectivization of the rural economy. By 1958, 99% of the farmers had joined the people's commune. At this time, the land owned by the former peasants also joined the people's commune and became a collectively owned property. Since then, land has become a unique property of the state and the collective. Thus, by the time the law was revised again in 1975, the corresponding statement about the land became: The state may, in accordance with the conditions stipulated by related laws, purchase, requisition or nationalize urban and rural land and other means of production.¹⁸

The "related laws" mentioned in the Constitution did not appear until 1986. In the early days of the reform and opening up of the 1970s and 1980s, China's land use system was actually more flexible. Because before 1978, the value of Chinese land was not used, farmers could only participate in collective labor to obtain a small amount of income. After 1978, the land was distributed to farmers for cultivation, which made the use value of the land increase. The land management laws of this period are almost blank.

- Land management law 1986,1988,1998,2004

In the rural reform in the early stage of reform and opening up, the implementation of the household contracting system has opened a hole in the use of

¹⁷ Article 8 of the 1954 Constitution

¹⁸ Article 6 of the 1975 Constitution

Chinese land. Before this, the land belonged to the collective, and the means of production belonged to the collective. The peasants could only participate in the collective work to obtain the same return. After the reform and opening up in 1978, after the land was transferred to the household, the peasants had certain land development rights. After liberating from agricultural production, farmers can set up township enterprises, build towns, and independently industrialize and urbanize on their own land (collective land). The establishment of these enterprises has greatly improved the economic level of rural and small towns.

However, there are still many problems in the rural land use model during this period. Rural industrialization has led to a large loss of cultivated land, which in turn threatens the safety of food. In 1985, food production suddenly fell by 28.2 million tons, raising concerns about the central government that has been highly sensitive to food security. It believed that this was a dangerous signal, so it quickly issued an order to "seriously clean up non-agricultural land and stop the occupation of cultivated land." It also required all levels of government to formulate and improve the overall land use planning and urban and village construction plans as soon as possible. The National Land Administration, which is responsible for the unified management of land, urban and rural land administration, has also emerged.

In this context, the Land Administration Law of 1986 came into being. This law sets out the legal rules for important land ownership and use rights.

1. Specify the ownership of land ownership. The People's Republic of China implements the socialist public ownership of land, that is, the ownership of the whole people and the collective ownership of the working people.¹⁹ The land in urban areas belongs to the whole country and is owned by the state. The land in rural and urban suburbs belongs to the collective ownership except that the law stipulates that it belongs to the state; the homestead, the reserved land and the self-retained mountain belong to the collective ownership.²⁰ However, for the needs of the public interest, the state may expropriate collectively owned land in accordance with the law.²¹

¹⁹ Article 2 of the Land Administration Law (1986)

²⁰ Article 6 of the Land Administration Law (1986)

²¹ Article 2 of the Land Administration Law (1986)

2. Separation of ownership and use rights is provided. State-owned land can be determined to be used by units under the ownership of the whole people or collectively owned units according to law. State-owned land and collectively owned land can be determined for personal use according to law.²²

3. Specify the nature of the land. The land is divided into construction land and non-construction land. Most of the land in the city is construction land. The rural collective construction land is strictly restricted.

4. The principles and methods for the transformation of the nature of the land are defined. From rural land to urban land, it can only be obtained through national expropriation. And the state construction expropriation of land, the land requisitioned units should obey the needs of the state, and must not obstruct.²³ The transformation of rural cultivated land into rural construction land requires strict examination and approval by the county government.²⁴ At the same time, the construction land of township and village enterprises must be strictly controlled. Provinces, autonomous regions, and municipalities directly under the Central Government may stipulate land use standards according to different industries and business scales of township and village enterprises.²⁵ And since then, the land use of township and village enterprises has been increasingly restricted.

5. The compensation price for land acquisition is specified. Land acquisition by the state construction, land compensation fees paid by the land use unit. The compensation for the acquisition of cultivated land is three to six times the average annual output value of the three years prior to the acquisition of the cultivated land.²⁶ In addition to paying compensation fees, land-use units should also pay resettlement subsidies. The resettlement subsidy standard for each agricultural population to be resettled is two to three times the average annual output value per mu of the three years prior to the acquisition of the cultivated land.²⁷ The sum of land compensation fees and resettlement subsidies

²² Article 7 of the Land Administration Law (1986)

²³ Article 23 of the Land Administration Law (1986)

²⁴ Article 38 of the Land Administration Law (1986)

²⁵ Article 39 of the Land Administration Law (1986)

²⁶ Article 27 of the Land Administration Law (1986)

²⁷ Article 28 of the Land Administration Law (1986)

shall not exceed ten times the average annual output value of the three years prior to the acquisition of the land.

The most important aspect of the land management law amended in 1988 was the determination of the tradable nature of the right to use the land. This law stipulates that the right to use state-owned land and collectively owned land can be transferred according to law.²⁸ In November 1987, the State Council approved the pilot reform of land use system in six cities including Shenzhen, Shanghai and Tianjin. In December of the same year, Shenzhen used Hong Kong to successfully introduce the British “land lease system”.

The land system innovation of “paid transfer of state-owned land use rights” has brought many positive effects. This system not only realized the capitalization of state-owned land, increased the government's fiscal revenue, accelerated the accumulation of urban funds and infrastructure, but also adapted to attract investment, establish a development strategy for export-oriented economy, and adapt to the gathering industry and improve land utilization and scientific management requirements.

The transfer of land use rights has led to the massive expropriation of rural land. The reduction in cultivated land has seriously threatened food production. By 1997, the loss of cultivated land seemed to be close to the bottom line that the central government could tolerate. China began implementing “the most stringent land management system in the world” in 1998. The state first added the crimes of “illegal sale of land use rights”, “illegal use of cultivated land”, “illegal approval of expropriation, occupation of land” and other crimes in the newly revised “Criminal Law”; then, the “Land Management Law” was amended. The revised theme is “strengthening the protection of cultivated land.”

1. Strict control over the use of land. The state prepares a master plan for land use, stipulates land use, and divides the land into agricultural land, construction land and unused land. Strictly restrict the conversion of

²⁸ Article 2 of the Land Administration Law (1988)

agricultural land into construction land, control the total amount of construction land, and implement special protection for cultivated land.²⁹

2. Closed the rural land market. In this single closed land market, the government is the only land-level supplier. Collective land must first be collected by the government or requisitioned as state-owned land before it can enter the land market.

3. Revised the criteria for land acquisition compensation. The sum of land compensation fees and resettlement subsidies shall not exceed 30 times the average annual output value of the three years prior to the acquisition of the land.³⁰ In the 1986 version of the law, this value is ten times.

4. Implement total indicator control on the use of land. The people's governments at all levels shall organize the preparation of the overall land use plan in accordance with the requirements of the national economic and social development plan, the requirements for land consolidation and resource environmental protection, the land supply capacity, and the demand for land for various constructions. The planning period for the overall land use planning shall be prescribed by the State Council.³¹

²⁹ Article 2 of the Land Administration Law (1998)

³⁰ Article 47 of the Land Administration Law (1998)

³¹ Article 17 of the Land Administration Law (1998)

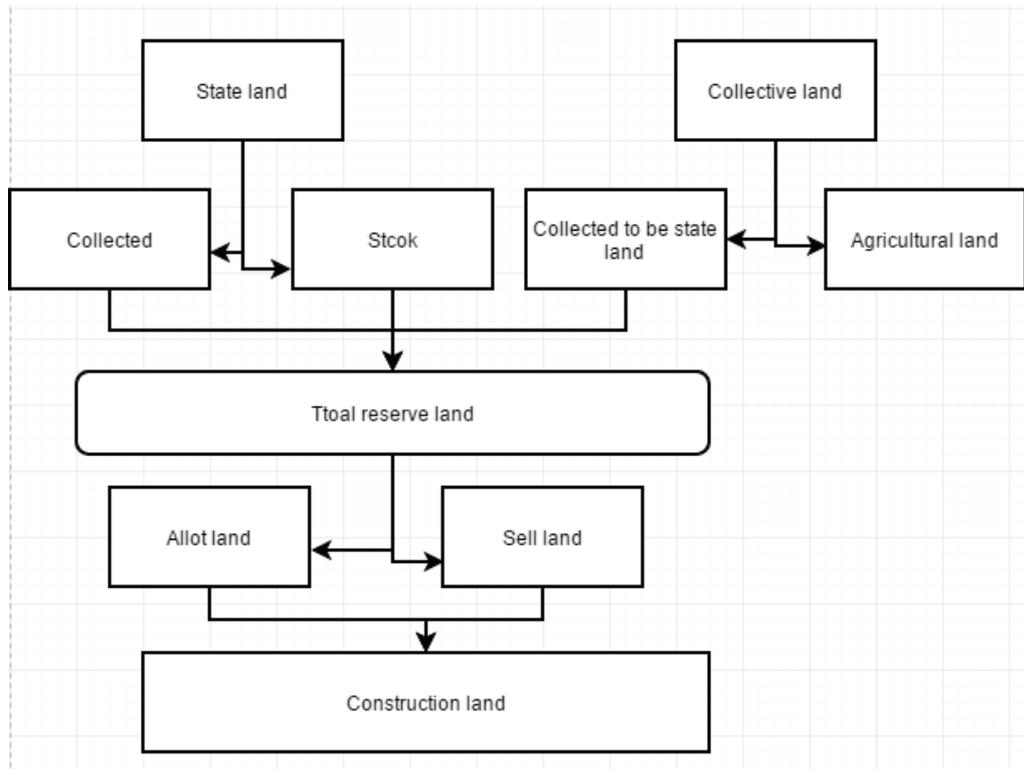


Figure 7 The Land Market in China after 1998 “Land Management Law”

The land management law revised in 2004 further severely restricted the transfer of land use rights and the conversion of cultivated land. This law stipulates that the state strictly controls the conversion of cultivated land to non-cultivated land.

Since 2004, the Land Management Law has not been modified. However, the price of land has skyrocketed during this period. After the land acquisition, the state resold the right to use it to commercial enterprises and obtained high profits. Land prices have risen sharply. But the peasants who lost their land can only get less than 30 times the income from arable land. This has created a huge gap between the property values of cities and farmers.

At the same time as the Land Administration Law has been continuously revised, other laws and regulations on land use have been continuously formulated. These practices are mainly to further limit the use of land by local governments and enterprises for construction and to protect the scale of cultivated land. For example, the “Notice of the State Council on Strictly Approving and Seriously Cleaning up

Various Development Zones” in 1993, the “Regulations on the Protection of Basic Farmland” in 1994, and the “Notice on Further Strengthening the Management of Farmland by Land Management”, New in 1998 “Basic Farmland Protection Regulations”, 2001 “Notice on Strengthening the Management of State-Owned Land Assets”, 2004 “Decision on Deepening Reform and Strict Land Management in 2004”. The formulation of these laws and regulations, on the one hand, strictly restricted the use and supply of land for the purpose of farmland protection, and on the other hand raised the land price, resulting in the financialization of land.

- Land plan 1986-2000, 1997-2010, 2006-2020

Although there was land use planning in the 1980s, it was only a programmatic document. The document “National Land 1986-2000” does not provide excessive provisions on land use restrictions and use quotas. Therefore, this document does not prevent the rapid decline of cultivated land. In 1984, the country's arable land area was nearly 2 billion mu³², and by 2000 it had only 1.93 billion mu.

In the context of the rapid decline of cultivated land, the "Outline of the National Land Use Master Plan for 1997-2010" came into being. This document is a continuation of the Land Management Act (1998) version, as the 1998 law clearly stated that national land was planned for use. This planning outline sets the red line for the country's arable land area, which is 1.94 billion mu in 2000 and 1.92 billion mu in 2010. However, this document did not delay the rapid decline of the area of cultivated land. In 2000-2004, the area of cultivated land in China declined rapidly. The final area of cultivated land did not meet the requirements of the red line. In 2000, the area was 1.93 billion mu, and in 2000 it was only 1.83 billion mu, far below the red line requirement.

Faced with such a severe problem of reduced arable land, the more stringent “Outline of the National Land Use Master Plan (2006-2020)” was finally introduced. This document stipulates that the red line of cultivated land in 2010 will be 1.81 billion mu, and the red line in 2020 will be 1.805 million mu. The biggest difference between this document and the previous one is that it allocates

³² Mu is a land measurement unit in China, 1 mu = 3/20 hectares

the use of cultivated land to the provinces and severely limits the annual reduction of cultivated land in each province. At the same time, the completion of such farmland protection is linked to the assessment of the promotion of local officials. Such an approach greatly limits the conversion of cultivated land to non-cultivated land, and also reduces the supply of land and artificially increases the price of land. Under the strict control of this document, China's cultivated land area has remained at around 1.82 billion mu, maintaining a slight reduction trend.

In 2016, the “Outline of the National Land Use Master Plan (2006-2020)” was revised again. This time, the target of arable land conservation in 2020 was changed to 1.865 billion mu, an increase of 0.6 million mu over the original target. This means that not only can the cultivated land be converted into construction land, but also more construction land should be converted into cultivated land.

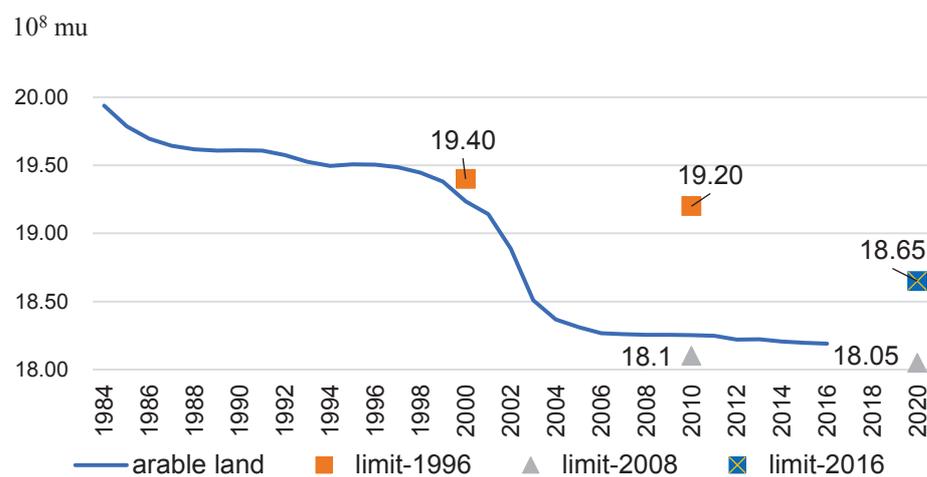


Figure 8 Arable Land and Limits in China

Source: Ministry of Land and Resources

Note : Mu is a land measurement unit in China, 1 mu = 3/20 hectares.

Municipal Government Budget and Operations

Before the reform and opening up, China did not have any fiscal revenue, because the entire country relied on state financial support. Whether it is the government department, the enterprise sector or the rural collective, it depends on the state's financial expenditure. In those days, public finance and banks were same,

and they were all money bags of the state. The real finances of the People's Republic of China appeared after 1978.

After the reform and opening up in 1978, the budgetary accounts and operations of the Chinese central government, local governments, and state-owned enterprises gradually became independent. Since then, China's fiscal and taxation system has undergone several major changes. The first is the 1985 National People's Congress authorized the Ministry of Finance's tax policy formulation function, the second is the 1994 tax-sharing reform, and the third is the budget law implemented in 2014.

- 1985 The People's Congress Endowed the Fiscal power to Ministry of Finance

Before the reform and opening up, China did not have the concept of "taxation." Taxation is considered a tool for the exploitation of ordinary workers in capitalist countries and is therefore abolished. For the country at the time, it was already strong enough to mobilize any material and property in the country, so there is no tax. After the reform and opening up, state-owned enterprises were gradually given the autonomy of management, and the central government no longer extracted the profits of state-owned enterprises and replaced them with taxes.

At this time, because there was no large variety of tax items in the modern economy, tax legislation had a great problem. In accordance with the principle of modern fiscal taxation, the establishment and elimination of tax types and the setting and change of tax rates are subject to the approval of the National Assembly and are passed by the National People's Congress in China. However, slow tax legislation cannot adapt to the rapid reform process. Therefore, in 1985, the Standing Committee of the National People's Congress authorized China's Ministry of Finance to set up and adjust its tax policy freely.

Since then, the tax categories of the 18th National Congress of China have been set by the Ministry of Finance and the tax rate has been revised. This situation has only improved in recent years. The National People's Congress gradually recovered the power of tax policy after 2014.

- 1994 "Decision on System of Tax Distribution":

In China, central and local taxes have not been clearly defined. And the responsibility for spending is more detached from each other. This has resulted in very inefficient financial resources. The more serious problem is that in the absence of central government coordination, wealthy provinces have sufficient fiscal revenues, while poor provinces are unable to make ends meet. Central taxation is also not enough. In 1993, central revenues accounted for only 30% of national income, while local income accounted for 70%. At this time, there was a situation in which the central government borrowed money from local finance.

In 1994, the central government decided to reform the tax-sharing system. Specifically, it is to clarify the taxation and expenditure obligations of central and local governments. The main focuses of this reform are:

1. Divide the power of fiscal revenue. The central government has received 60% of its revenue, while local governments have only received 40% of their income. This situation is consistently maintained until now. However, local fiscal expenditures account for 80% of national fiscal expenditures. This has caused a serious mismatch in local fiscal revenues and expenditures. Although the difference in local fiscal revenues and expenditures can be filled by central transfer payments, local governments no longer have sufficient power to decide how their own money should be spent. This problem directly led to the follow-up issues of the local government's "private possession of small treasury" and "land finance".

2. Roughly divide the central government and local expenditure responsibilities. The central government mainly bears the funds required for national security, diplomacy, and the operation of central state organs. The local finance mainly bears the expenditures required for the operation of the political organs of the region and the expenditures required for the economic and career development of the region. Despite this division and setting, central and local spending is still very confusing because there is no deeper connotation and definition. Local governments often claim that their taxes are insufficient to cope with local public service expenditures.

3. Divide the tax categories into three categories: central tax, local tax, and central local shared tax. The central tax is 100% of the central tax, the local

tax is 100% of the local tax, and the shared tax is shared according to a certain percentage of the central and local. For example, the VAT central share 75%, and the local share 25%. The National Taxation Bureau and the Local Taxation Bureau have therefore begun to establish nationwide. The State Taxation Bureau is mainly responsible for the collection of central taxes, and the local tax bureau is mainly responsible for the collection of local taxes. The sharing tax is levied by the State Administration of Taxation or the Local Taxation Bureau and is allocated to the accounts of the central and local financial departments in a certain proportion.

- 2014 “Budget Law”

The tax-sharing reform in 1994 caused a serious shortage of local government revenue. The local government began to set up various types of unofficial accounts. These unofficial accounts do not need to be regulated by the central government, resulting in greater spending flexibility. In the average year, the ratio of the annual income of these unofficial accounts to the official fiscal revenue is 30-40%.

The official income and unofficial income of Chinese local governments are generally divided into four types of accounts.

The first is general public budget revenue. This is the official fiscal revenue, including tax revenue and non-tax revenue. The main reform of the tax-sharing reform in 1994 was this part of the income.

The second is government-controlled fund income. Local government-controlled fund income is the main private account of major local governments. The income that the local government obtains when it transfers the land use right to the enterprise is to enter this account. The part of the income is called the “state-owned land use right transfer fee”.

The third type is the profits paid by state-owned enterprises. Since 2009, the central government has begun to require state-owned enterprises to pay a certain amount of profit every year. From then on, the state-owned enterprise operating profit account at the central government level was established. The operating accounts of state-owned enterprises at the local government level have not been established until 2012.

The fourth is the income of social security funds. The social security fund includes five types of insurance: medical insurance, pension insurance, unemployment insurance, maternity insurance, and work injury insurance. However, since each province has its own social insurance fund account, the national accounts are not coordinated. Therefore, some provinces have a surplus of pensions, while some provinces are in a state of significant deficit.

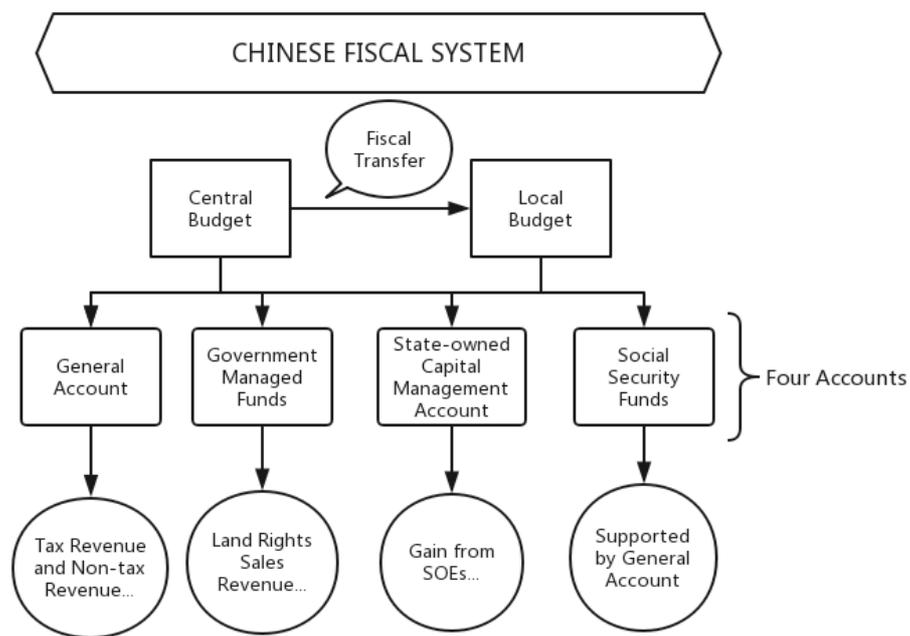


Figure 9 Chinese Fiscal System

- Chinese fiscal system

There are four different accounts in a country's government, and the National People's Congress considers only the first type of account each year. On the one hand, this situation does not meet the requirements of fiscal discipline, and on the other hand it is not the form of modern state finance.

This budget law lists all four accounts of local income as the scope of deliberation of the National People's Congress. From then on, these four accounts must be included in the budget and final accounts of the financial department. However, this time the "Budget Law" also has certain loopholes, that is, the four accounts are not placed in the same directory for budget and final accounts, but the budget and final accounts are separately set and are still stored in four accounts. The funds in the four accounts have not been consolidated and transferred.

Industrial Park Construction

In the early days of China's reform and opening up, a large amount of land in rural areas was occupied by township and village enterprises. The peasants take out the extra land and build the factory by the village collective or the town collective. The rural development during this time is very fast. However, this development model was quickly smothered by the state. Because the country began to monopolize the right to use the land, strictly control the land used by township enterprises. Instead, local governments can build industrial parks of various forms and attract the entry of modern industrial enterprises through the construction of the park. Since then, township and village enterprises have gradually withdrawn from the Chinese economic map, replaced by foreign-funded enterprises and state-owned enterprises with good relations with the government.

- Rural construction land and township enterprises

The rural reforms of the 1980s were essentially a comprehensive land reform. After the reform of the household contract system in 1978-1984, it was difficult for Chinese farmers with low technical standards to increase their income. They can only industrialize the countryside. Specifically, it is to allow farmers to set up enterprises on collective land, to allow farmers to use their own land to build towns, and to allow farmers' collective land to enter the market directly for trading.

- State-owned construction land and industrial parks

After 1987, local governments were allowed to obtain land through land acquisition. This policy has led to a rapid increase in the number of industrial parks in China. Local governments have also begun to collect large amounts of land for the construction of industrial parks. Local governments have attracted a large number of industrial enterprises by building industrial parks, which has led to the industrialization of the local economy. Since the local government at the time was very poor and had no money to make joint ventures with foreign entrepreneurs, they thought of a solution. Local governments in China then unilaterally provide

land with land as a share, while foreign entrepreneurs provide technology and capital to establish a joint venture.

But even so, township enterprises have a strong vitality. Township and village enterprises have always absorbed a large proportion of rural labor. In the 1980s, township and village enterprises absorbed 20% of the rural labor force. In the 2010s, township and village enterprises absorbed more than 35% of the rural labor force.

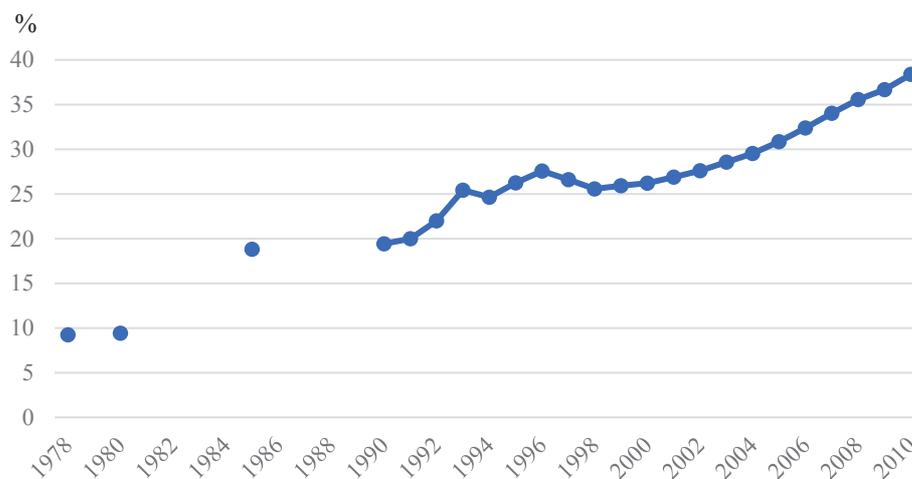


Figure 10 Employment Share of Rural Labor in Township Enterprises

Source: National Bureau of Statistics

- Land and industrial park construction

The Land Administration Law of 1998 stipulates that the conversion of agricultural land into construction land can only be levied, and the users of urban land can only be state-owned land. This means that farmers can no longer use their own land to build factories. The state can obtain their land and build industrial parks at low prices. In this case, the land of the original collective enterprise became the land of the industrial park. In this way, the peasants' industrialization roads for township enterprises on the collective land were blocked. Later, China's industrialization model entered the mode of industrialization of the park, that is, the land was provided by the government.

- Industrial park and economic development

After the reform of the land management law, China's implementation of industrialized land can only be collected by local governments from farmers. Since

then, China's urbanization dominance has become a local government. Because there is no land support, no company can establish a factory. In the next two decades, the construction of industrial parks greatly promoted the industrialization process and economic development of various cities. This is because local governments supply land for industrial enterprises at extremely low land prices, and these industrial enterprises can absorb rural labor with extremely low labor costs. These industrial enterprises with foreign investment background have greatly promoted China's exports and enhanced China's industrial competitiveness.

In 2015, various industrial parks accounted for one-third of China's exports and a quarter of the country's industrial added value. These new urban blocks have contributed greatly to the construction and development of Chinese cities.

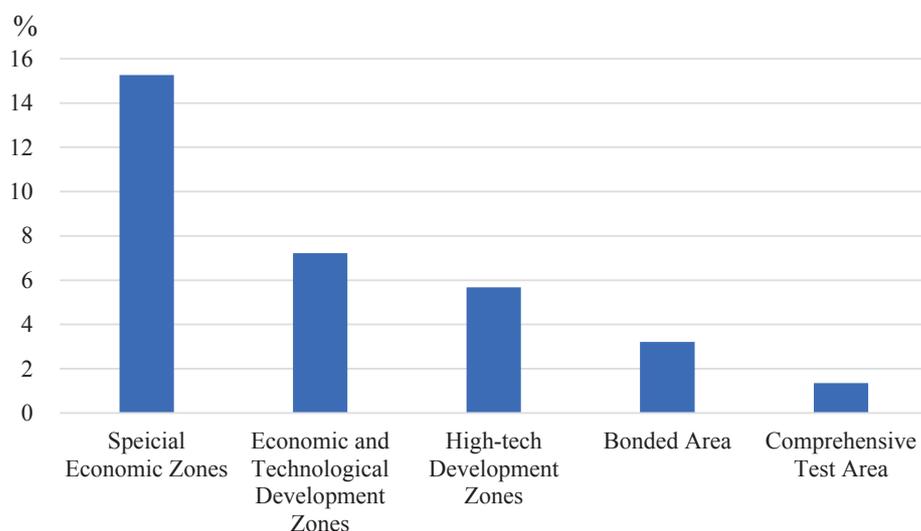


Figure 11 Share of Economic Zones on China's Export

Source: National Bureau of Statistics

- China's industrial park system

However, due to the imperfect policies, China's industrial park system is very complex. At the beginning, industrial parks were only established by local governments and managed by local governments. Later, the central government felt that this was an industrial park that was a better way to develop the local economy, so it was also involved. Various departments of the central government have also introduced incentive policies for various industrial parks for their respective political achievements.

In general, the tax incentives for industrial parks are set by the Ministry of Finance. The preferential tariff reduction policy for import and export is formulated by the General Administration of Customs. However, different types of national industrial parks are controlled by different national departments. As a specific type of city, the special economic zone directly obeys the State Council of the central government. The economic and technological development zone is managed by the Ministry of Commerce, the high-tech industrial park is managed by the Ministry of Science and Technology, and the free trade zone is jointly managed by the Ministry of Science and Technology and the General Administration of Customs, while the bonded zone is managed by the General Administration of Customs. The special economic accounted for 15.3% of China's export share, while the economic and technological development zone accounted for 7.2% of the export share, the high-tech industrial park's share was 5.7%, the free trade zone was 3.2%, bonded zone was 1.4%.

This complex industrial park system on the one hand strengthens the competition between industrial parks and improves the service efficiency of industrial parks. On the other hand, it also leads to the uncoordinated departmental policies and causes uneconomic.

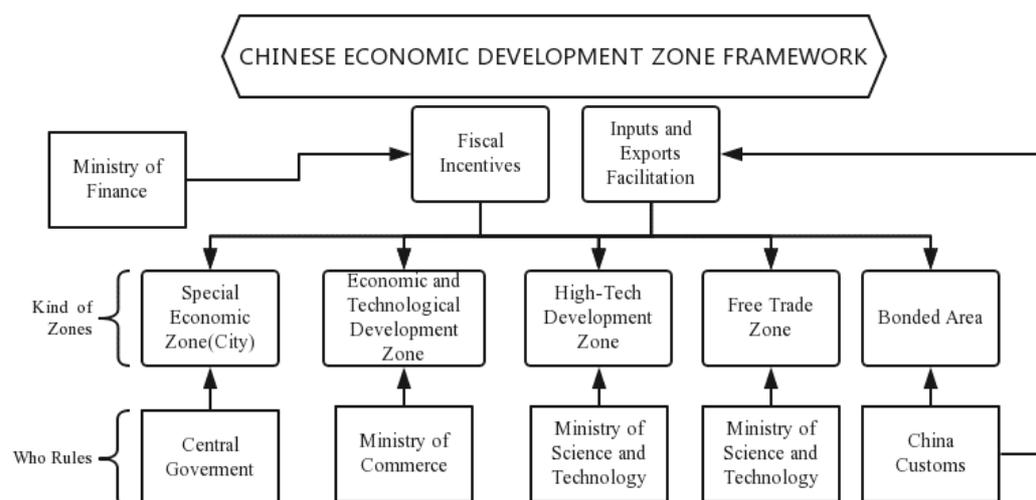


Figure 12 Chinese Economic Zone Framework

Conclusion: A Model Needs to Be Changed

This chapter first reviews the traditional Chinese development strategy and the subsequent social stratification. It is precisely because of the economic and catch-up strategy that the gap between rural and urban, agricultural and industrial issues has led to China's deep-rooted social fragmentation.

After the reform and opening up, although the restrictions on population movement have weakened, the restrictions on civil rights after the flow of people have not been eliminated. The most direct manifestation of this restriction is the household registration system. As a method of controlling the population within the country, household registration has become a practical visa. Citizens can only enter this area with this visa and enjoy the social welfare of the area.

It is precisely because of this historical legacy that it has brought opportunities for rapid industrialization and urbanization after China's reform and opening up. This is an ironic statement: it is precisely because of social injustice that it brings opportunities for China's economic development. Because this unfairness artificially depressed the income of the peasants and deprived them of their land. The vast numbers of Chinese farmers provide cheap land and cheap labor for companies in the industrialization process.

Therefore, the traditional Chinese urban development model can be attributed to several actors and behavioral logic.

The local government, as the main manager of the city, controls the vast resources of urban development. Local government officials are motivated by promotion. And they can only get promotion opportunities by continuously promoting corporate investment and increasing output. Therefore, the local government forced the land to be levied cheaply from the countryside. Some of the land was used for infrastructure construction, and the other part was built with economic parks. From the one hand, the local government can obtain the land transfer income from the level of land sales, and on the other hand, it can obtain huge taxes from the industrial enterprise level. The money was used by local governments for the construction of major projects in the city.

For farmers, on the one hand they own the land, on the other hand they have their own labor. But their land is heavily levied by local governments. In addition, because they do not have an urban hukou, the companies that hire them do not need to pay pension insurance, unemployment insurance, medical insurance, maternity insurance, etc., or even sign a labor contract with them. Therefore, their labor costs are only one-third of the urban residents. Local governments do not need to provide public services to them because they are not counted as residents of the region, so there are no financial expenditure items for them when they budget. The existence of the household registration system allows cities and enterprises to free a large amount of cheap labor.

For urban residents, on the one hand, they enjoy the public services of local governments, on the other hand they exclude migrant workers from these cities. Because they feel that migrant workers will eventually rob them of priority public service resources and soil the living environment of the city. They put pressure on the government and the government has introduced many policies to drive away the migrant population.

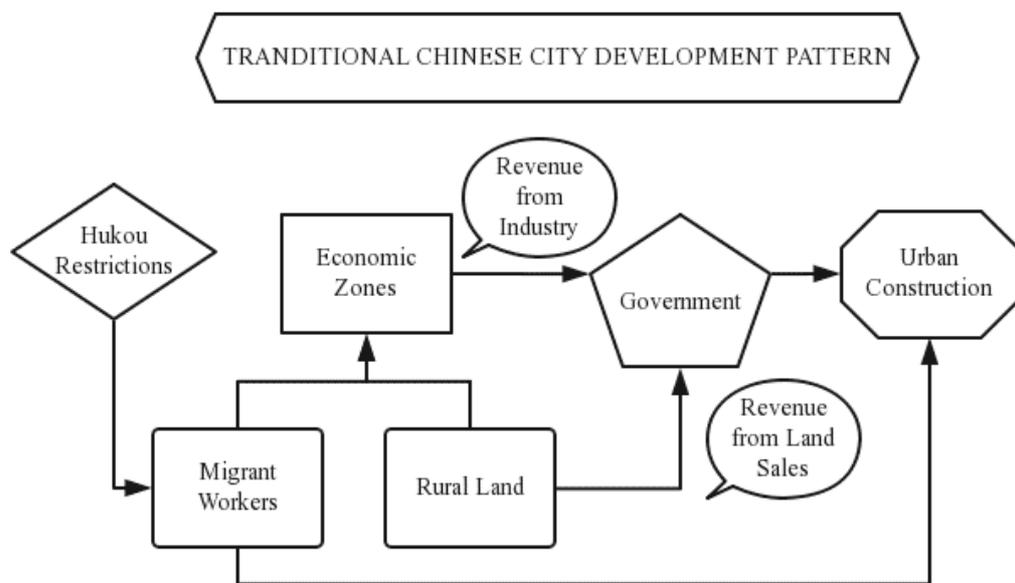


Figure 13 Traditional Chinese City Development Pattern

However, this deprived urban development model can no longer be sustained. Because with the growing number of peasant groups entering the city, on the one hand, social contradictions continue to intensify, on the other hand, the wages of migrant workers are also rising. Under the monopoly of local governments, prices have also risen, causing problems such as real estate bubbles and financial bubbles.

With the continuous expansion of the scale of migrant workers and the increasing frequency of cross-regional mobility, the household registration system with free migration and solidification of interest has not only driven China's biggest injustice since the reform and opening up, but also began to affect urban stability, and has curbed China's urbanization process and intensified. At the same time, with the rapid development of China's economy and the rapid advancement of industrialization, the marginal effect of accelerating the accumulation of capital through the low cost in exchange for the total surplus of rural labor is also decreasing. It is precisely because the social cost of the household registration system begins to surpass the social benefits brought about by the freedom of migration and the solidification of interests. This path of urbanization is destined to be unsustainable. China needs to further transform its urban development.

3rd Part: Transition of Cities—Exhaustion, Constraints, Conflicts

As discussed in the previous section, China's urbanization after the reform and opening up is on an unbalanced development path. By depriving rural residents of their land rights and citizens' rights, cities can obtain the cheap land and cheap labor needed for rapid urbanization, thus driving rapid industrialization and urbanization. However, this model is no longer sustainable at this stage. This chapter focuses on the main reasons for the failure of the above modes. Above all, these reasons can be summarized into three contents: exhaustion, constraints, conflicts.

Real Estate Bubbles and Land Exhaustes

Real Estate Bubbles

In the era of planned economy, individuals mainly provide welfare housing by the state and units, and at the same time, they have very low rents. Since 1978, the state has started pilot reforms of the housing market. The direction of reform is to allow residents to buy houses and accelerate the return of housing construction funds. Because providing housing for residents is a great burden to the country. And the unit, the form of welfare distribution has caused inefficiency in housing construction. The huge burden has also made the country not have enough financial resources to build the country.

In 1998, the "Notice of the State Council on Further Deepening the Reform of Urban Housing System and Accelerating Housing Construction" clearly stated that "stopping the physical distribution of housing and gradually implementing the monetization of housing allocation". The year of 1998 is therefore considered to be an epoch-making one in China's housing market reform.

China's housing prices have not shown signs of substantial increase since the housing system reform in 1998. Land prices have been strictly controlled for some

time. However, since 2007, housing prices in Chinese cities have started to rise, all of which started in cities such as Beijing and Hangzhou. From the beginning, only a few large cities have seen a rise in housing prices. It is widely found that entrepreneurs from Wenzhou, Zhejiang Province no longer invest their money in enterprises, but purchase real estate in big cities and then change hands after rising housing prices. At that time, people naively thought that the hype of these entrepreneurs caused the housing prices in big cities to rise rapidly. The central government also quickly introduced a number of measures to curb the rise in housing prices caused by speculation.

However, the government's measures to regulate housing prices were suspended due to the impact of the 2008 financial crisis. In response to the impact of the financial crisis on the Chinese economy, the central government introduced the so-called “four trillion” economic stimulus plan in 2009, and in order to stimulate domestic consumption demand, the real estate policy has also become an essential incentive to purchase housing. As a result, since 2010, housing prices in various cities in China have officially increased significantly. This time, not only the housing prices in big cities have skyrocketed, but also the prices of houses in some small and medium-sized cities have increased rapidly.

The data is a good example of the rise in real estate prices across China. Housing prices in Chinese cities are showing a volatility, as the country's real estate regulation policy is always between regulation and relaxation. In the period of rapid rise in housing prices, the state's policies always tend to control the excessive rise in housing prices. There are strict restrictions on the loan ratio, loan interest rate and purchase conditions for purchasing a house. For example, if one does not have a local Hukou, he cannot purchase a house in the city. From 2010 to now, the price increase of first-tier cities is much higher than that of second-tier cities and third-tier cities.

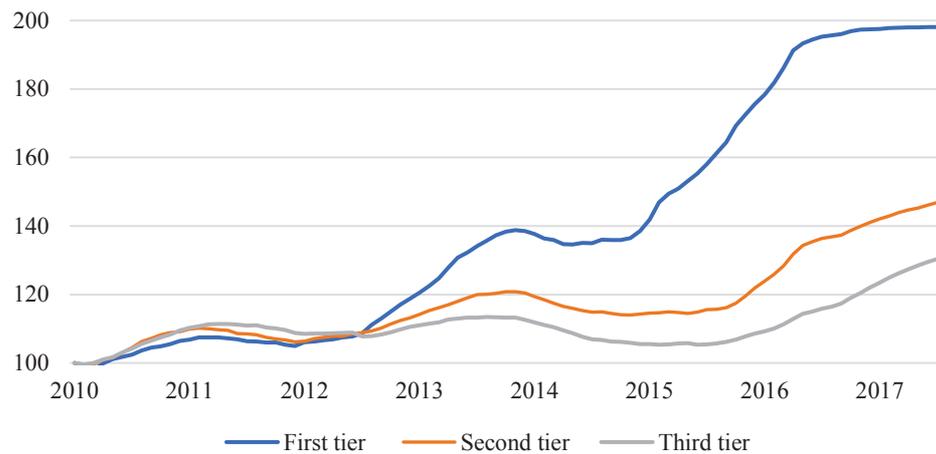


Figure 14 The Housing Price Index in Cities, set the price in 2010 as 100

Source: Wind info

Note: Rates are based on residential real estate price indices for 100 cities. There are 4 first-tier cities (Beijing, Shanghai, Shenzhen, and Guangzhou), 22 second-tier cities, and 74 third-tier cities.

The rapid rise in housing prices has raised the rise in land prices, which has led to a significant increase in the revenue generated by local governments through the transfer of land use rights. As explained above, the local government obtains income through the transfer of land use rights, which is the biggest beneficiary of the rise in housing prices during the urbanization process. As a result, local governments began to sell large amounts of land and earn income from land transfer fees. As more and more houses are built, the supply of the house is greater than the demand of the house, and the inventory of real estate is rapidly accumulating. Since 2014, China has had a very strange phenomenon: on the one hand, housing prices are high, people cannot afford to buy, and on the other hand, there are many houses that are vacant and cannot be sold. The inability to sell homes has made the real estate market depressed, which has also hindered the healthy development of the local economy.

Since 2016, the removal of real estate stocks has become an important economic strategy for the country. The state strictly controls the supply and transfer of land. This is also mentioned above, and the national planning has been revised. Because the supply of housing has been strictly controlled, the inventory

problem of real estate has been solved, and the total inventory area of real estate has now dropped back to the level of 2014.

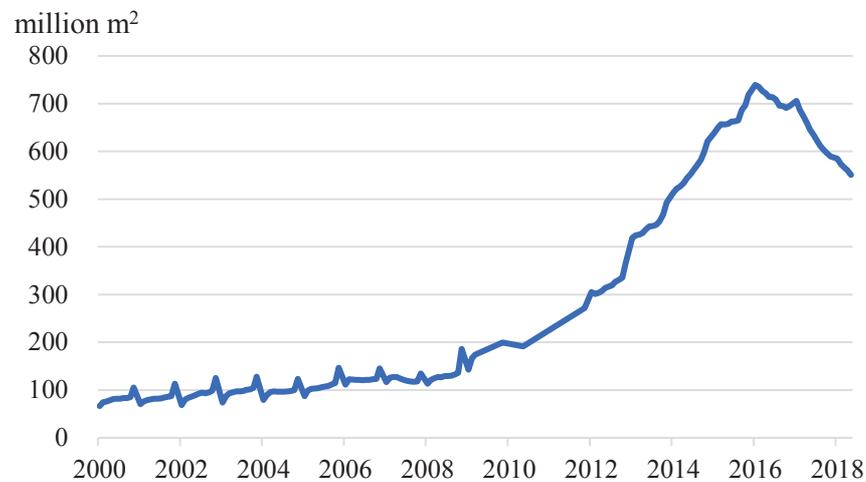


Figure 15 Housing Stock surface

Source: National Bureau of Statistics

But the problem of high housing prices still severely limits China's urban development. This limitation is mainly reflected in three aspects:

First, the bubble of high housing prices may burst at any time. Excessive housing price speculation may usher in a rapid decline in house prices, which in turn triggers an economic and financial crisis. This happened in Japan in the 1990s. In the event of this economic crisis caused by high housing prices, China's economic development and urban expansion may have stagnated for many years. The situation in China and Japan is different.

Second, high housing prices have caused the industry to lose competitiveness. The rapid rise in real estate prices has reduced the enthusiasm of entrepreneurs to invest in the real economy, and a large amount of funds have been used to invest in real estate. This is the financial support needed for the local industry to be innovated. In addition, high housing prices also bring high land prices, and land prices indirectly raise the rental costs of manufacturing companies, thereby reducing the industrial competitiveness of manufacturing.

Third, high housing prices force young people to leave. The rapid rise in housing prices is already far higher than the rate of rising income. Young people are no longer able to pay for housing prices, and it is even difficult to pay rent.

Therefore, many young people choose to leave cities with high housing prices and enter cities with relatively low prices. This is the story that happened in the coastal city of Xiamen. As Xiamen is a comfortable coastal city with a comfortable living environment, a large number of wealthy people invest in real estate in Xiamen, which makes Xiamen's housing prices rise rapidly. This made young people in Xiamen, especially college students, unable to pay for housing prices. They chose to leave Xiamen for cities such as Shenzhen and Hangzhou. The competitiveness of Xiamen's urban development has been significantly weakened.

Cultivated Land Constraint

There are two types of land in China, one is cultivated land and the other is land for construction. The land between the two can be converted to each other through the permission of the administrative department. However, since most of China's land area is mountainous, lakes and rivers, this makes the area of land suitable for human habitation very small. Therefore, China needs to ensure a certain area of cultivated land to provide sufficient food. Experts believe that if China's arable land area is less than 1.8 billion mu(=120 million hectares), the scale of food consumed by Chinese people will not be guaranteed.

However, China's rapidly advancing cities are the process of turning cultivated land into construction land. People built high-rise buildings on past agricultural land. The Chinese government quickly discovered that China's arable land has become less and less with the acceleration of urbanization. The area of cultivated land has shrunk year by year, and it has already reached a red line of 1.8 billion mu.

The central government then introduced strict policies that strictly restricted the conversion of cultivated land into construction land.

In fact, 2013 was a turning point. Since the beginning of this year, the area of land used for sale in China has rapidly decreased, and land prices have risen rapidly as supply has decreased. Since the beginning of these years, a large amount of land has been used for municipal construction, not for commercial development.

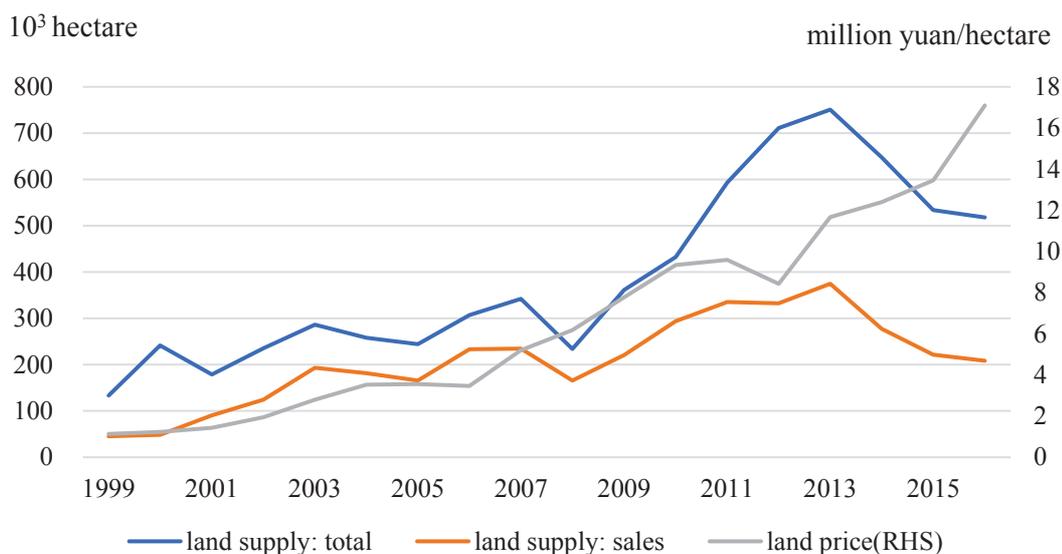


Figure 16 Chinese land supply and prices

Source: Ministry of Land and Resources

The amount of land that can be supplied for sale in various cities is indeed very small. There are four reasons:

First, there are very few idle construction sites in the urban areas of China's big cities. Because of the rapid expansion of the city, and the rapid accumulation of population. In the heart of most Chinese cities, there is no land available for use, and land can only be sought from the suburbs.

Second, the cost of demolition of small property houses is extremely high. Even in cities with strong financial strengths such as Shenzhen and Xiamen, there is nothing that can be done about the demolition of small property rights in the city center. Therefore, the cost of demolition compensation makes it difficult to renew the cities.

The third and most important point is the state's strict control over the scale of construction land. In order to protect the red line of 1.8 billion mu of arable land, the state has strictly controlled the construction land area of the country, and has managed the quota system for the construction area of each province. According to the revised National Land Planning 2005-2020 in 2016, the total scale of construction land in China will be controlled at 40.72 million hectares in 2020, while in 2016 China's construction land is actually 39.1 million hectares. That is, by 2020, the country can only increase at most 1.62 million hectares of

construction land. This is a red line that cannot be broken. Therefore, the amount of 1.62 million hectares looks quite a lot, but it is rarely distributed to various provinces. In fact, except for Xinjiang, other provinces (especially the eastern developed provinces) can rarely increase the scale of construction land. The following figure has a good interpretation of this problem. The quota of construction land that can be increased in most provinces is less than 4% of the existing construction land. In the context of increasingly strict land management and control, when the national land plan is revised after 2020, the newly added construction area will only be less and less.

Fourth, a large amount of land needs be allocated to municipal public construction. There is less and less land available, and there is less and less land that is eventually sold out. A large part of these construction land is used for municipal public construction: parks, roads, water conservancy, hospitals, schools, etc. Since 2013, the area of land that has been publicly transferred nationwide has fallen sharply, while the area of land allocated has remained at a high level. At the same time, the price of land transfer has also risen rapidly, so despite the shrinking land sales area, land prices have continued to hit new highs.

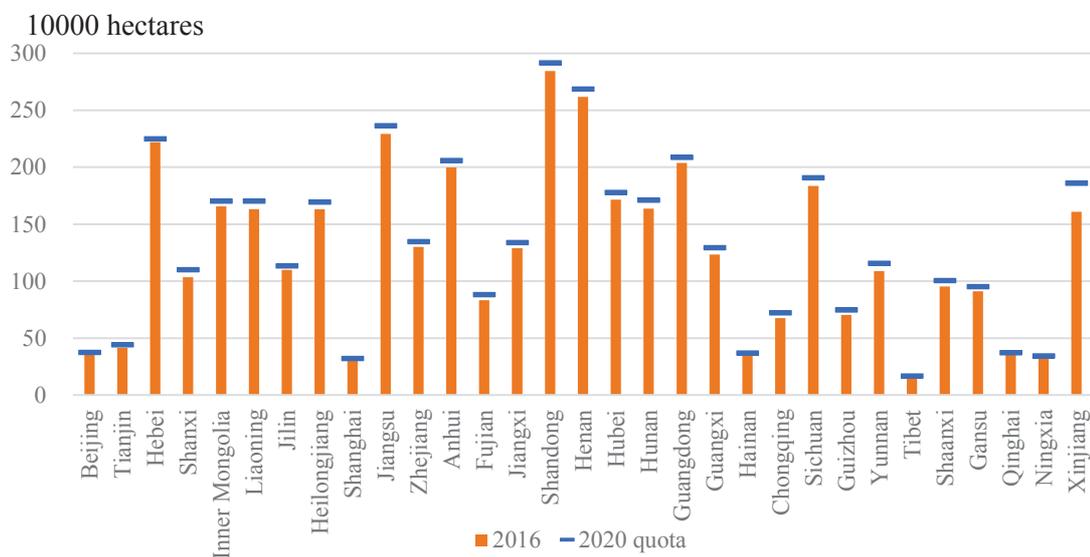


Figure 17 constructive land in provinces and quota limit

Source: Ministry of Land and Resources

Government Constraints

In addition to the hard-nosed real estate prices and insufficient land supply, the income and expenditure of local governments in China are also facing increasingly severe challenges. To talk about China's urban finance problems, we must first talk about China's fiscal system.

In China, there are four financial accounts, and the nominal finance is only the first account: the general public budget. Only the general public budget is subject to deliberation by the National People's Congress, which is the Chinese parliament. In principle, other accounts do not need to be reviewed by the National People's Congress, so these accounts are also known as the local government's small vault. The local government sells land to earn income, and this revenue enters the second of the four accounts: local fund income.

In general, local government revenues can't make up for local fiscal expenditures. Therefore, the central government will transfer money to the local government's budgets to make up these deficits.

With the continuous expansion of the city and the improvement of the level of industrialization, the city's fiscal revenue has become less and less. This seems like a paradox, but it has its own reasons. Due to the continuous decline in the proportion of industry, the taxes from the corporate sector and land sales has been declining. Local governments can only maintain high government spending through borrowing. However, a large number of migrant workers enter the city, and local governments need to pay high citizens' cost if they want to transfer them into citizens. Finally, the decline in income and the rise in expenditure constitute the biggest financial dilemma of the local government.

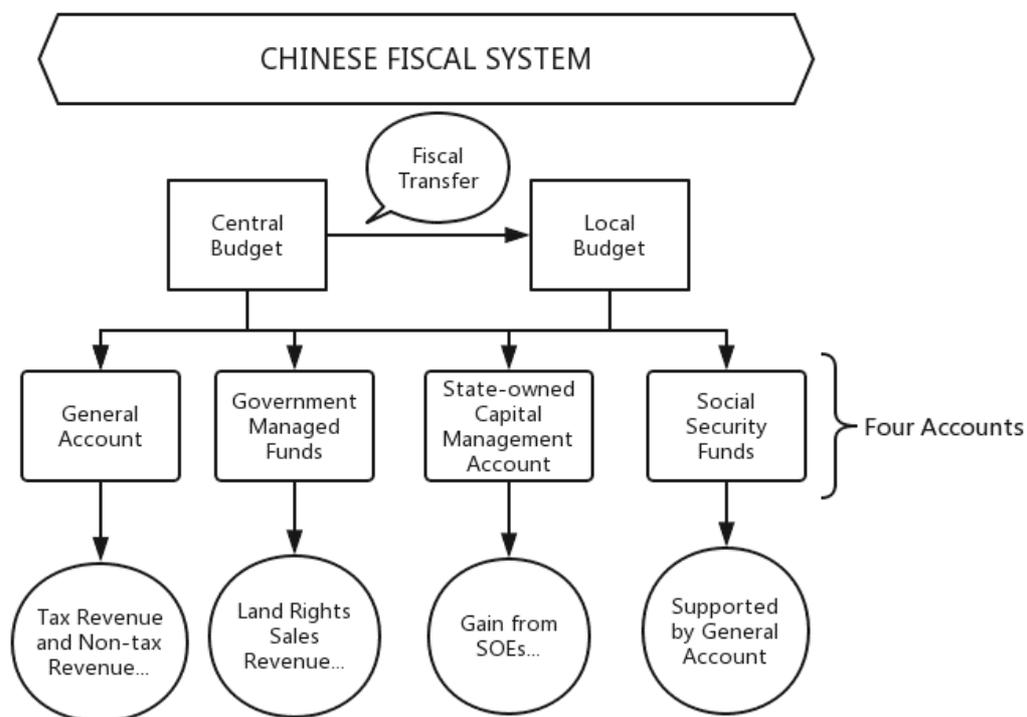


Figure 18 Chinese Fiscal System

Lower Official Tax Revenue

Since 1994, China has implemented a tax sharing system. According to the different types of taxes, the tax-sharing system divides the tax into central tax, local tax and central-local shared tax. The tax collection agency is changed from the original local collection to the central and local taxation agencies.

The large fiscal revenue and expenditure gap faced by local governments is mainly compensated by the local government's new local debt and central government transfer payments. The budget constraints faced by local governments can be expressed as: $\text{Local fiscal expenditures} - \text{local fiscal revenue} = \text{new local debt} + \text{central transfer payments}$. In other words, the local government fiscal revenue and expenditure gap can be expressed by the difference between fiscal expenditure and fiscal revenue or by the sum of new local debt and central transfer payments. This puts higher demands on the amount of funds and the efficiency of use of central government transfer payments. At the same time, in order to make up

for the fiscal revenue and expenditure gap, the local government has increased the issuance of debts, resulting in the continuous expansion of the debt scale of local governments.

As the economy continues to decline, the local government's tax growth rate has dropped significantly. This is because the main source of local government taxation is the taxation of industrial enterprises' product sales, and as the proportion of industrial output in the total economy declines, the sources of local government revenues continue to decrease. The more this problem is at the grassroots local government, the more serious it is. Because local governments in small cities such as counties and townships may rely solely on the taxation of one or two large companies to support the government's daily expenses. Once these big companies have operational problems, local taxes will soon fall into crisis.

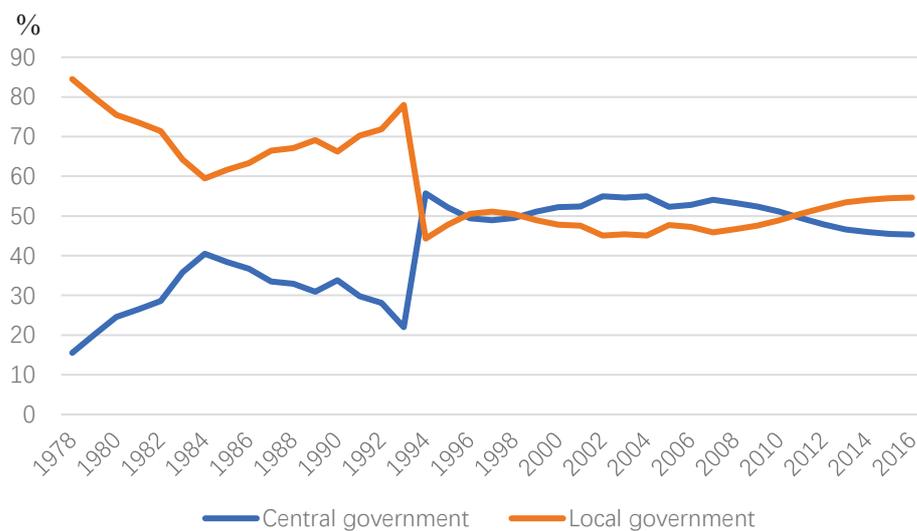


Figure 19 Distribution of fiscal revenue on central and local levels

Source: Ministry of Finance

Lower Revenue From Land

After the tax-sharing reform, the way in which the central government and local governments organize income has changed greatly, which has led local governments to hide their income through non-tax forms to avoid the motivation of being extracted by the central government. After losing most of the taxes that they used to earn from fiscal revenues, local governments have to find new ways to increase local fiscal revenues in order to alleviate financial difficulties, and

eventually turn to land resources. Land resources are owned or collectively owned by the state in China, but the current Land Administration Law gives local governments the authority to levy or expropriate land, and the government's compensation for original land users is relatively lower than the transaction price of land sales. At this time, the management of land gradually became a new choice for local governments to raise fiscal revenue. The local government collects land from farmers at low prices, and then distinguishes the land use collected. Some of them enter the land market and become land for construction through "bidding and auctioning", and local governments acquire a large amount of land in such land transactions. From the annual data of local government's land transfer income, it could be seen that the annual income of land transfer from 1998 to 2000 is still between 50 billion yuan and 60 billion yuan, while the land transfer income in 2001 was 129.6 billion yuan. By 2011, this figure reached 3.21 trillion yuan, and in 2013 and 2014 it reached 3.91 trillion yuan and 4.29 trillion yuan respectively. Local governments are increasingly dependent on "land finance".

The expansion of local government "land finance"³³, "financing platform"³⁴ and state-owned assets with land management as the core indicates that the government's operational motives have been strengthened beyond the taxation implications of the general public budget, further undermining the relationship between the government and the market. Land finance is the main financing mechanism for urbanization in China. From 2010 to 2012, the land sales revenue of the Ministry of Finance was 2.94 trillion yuan, 3.15 trillion yuan and 2.89 trillion yuan respectively, which has already approached the local transfer payments, because the land transfer income basically belongs to the place. This makes land transfer meaningful to the place.

As the land transfer price rose from 80,000 yuan per mu in 2000 to 620,000 yuan in 2011, the price of land-based assets expanded rapidly. The financing

³³ Land finance refers to the fact that some local governments rely on the income from the transfer of land use rights to maintain local fiscal expenditures, which is a kind of local fiscal revenue. China's "land finance" mainly relies on incremental land to create fiscal revenue, that is to say, through land sales of land sales to meet financial needs.

³⁴ The so-called local financing platform means that the local government initiates the establishment, and by lending assets such as land, equity, expenses, and national debt, it quickly packs out a company whose assets and cash flows can reach the financing standard, supplemented by financial subsidies as necessary. The commitment is to achieve the purpose of undertaking various funds, and then apply the funds to municipal construction, public utilities and other projects.

platform that comes with the land finance is the focus of local government land operations. The core is to pledge and corporatize the allocated land, which is a financial innovation under the current budget system to get rid of supervision. The rapid increase in land prices caused by bidding and financial operations will undoubtedly increase the land assets of the financing platform and obtain more bank credits, which will increase the leveraged operation of fiscal funds.

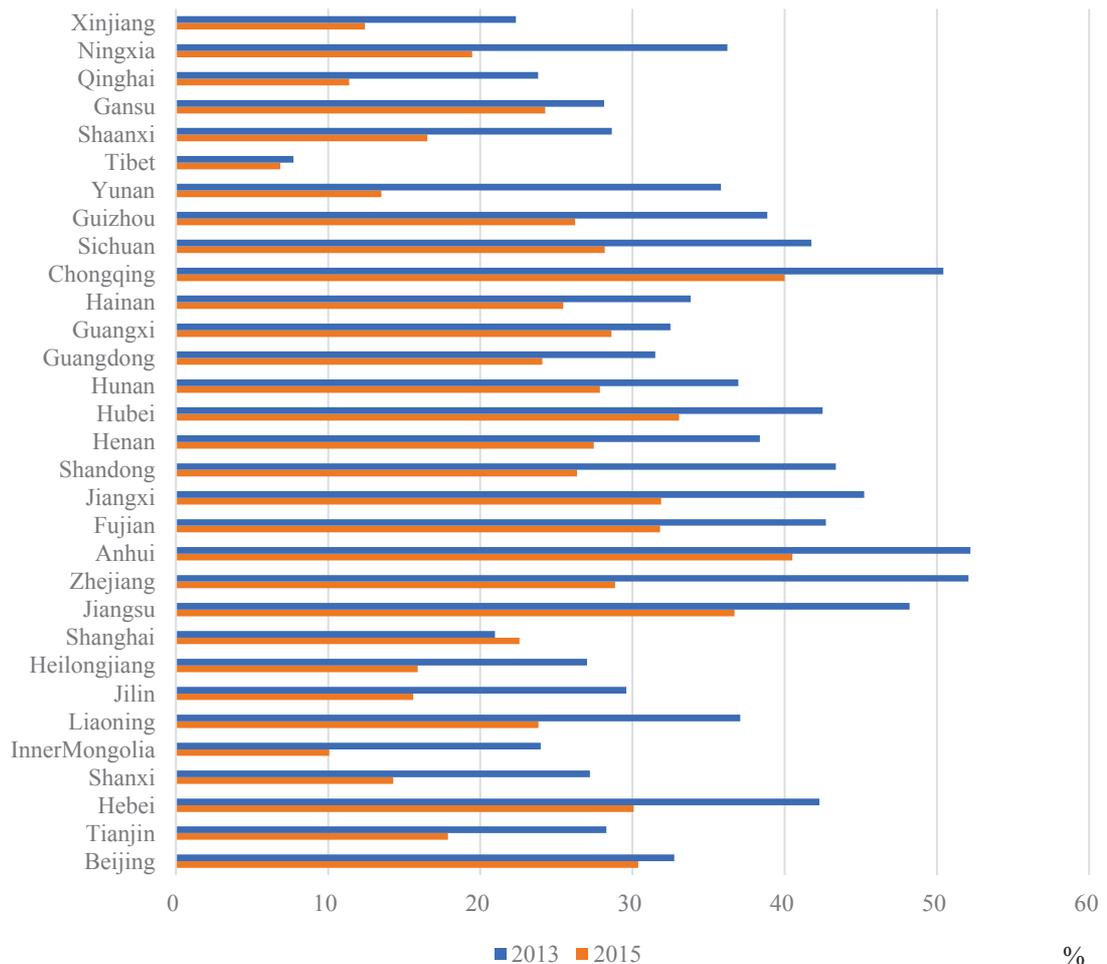


Figure 20 Land sales revenue as share of total local government revenue

Source: Ministry of Finance

However, since the beginning of 2014, land resources have been severely controlled by the central government, and local governments are unable to arbitrarily carry out land sales. That is why the land transfer fee has peaked in various places from 2013 to 2014, and the proportion of land transfer fees to total fiscal revenue has been declining. In the expected time, due to the reduction of land

supply, the proportion of land transfer fees for local governments in China will continue to decrease. This model of relying on the sale of land for urban financing is hard to continue.

High Local Government Debt

Local government debt refers to the debt directly borrowed by local governments. Local government debt refers not only to the debt directly borrowed by local governments, but also to some debts borrowed by government financing platform companies, public utilities, and financial aid units.

At present, the scale of China's local debt is very large, and it is showing a trend of continuous expansion. Not only is the debt repayment pressure and the debt structure unreasonable, but also the debt recession trend is obvious, management is chaotic, and there are large potential risks. The accumulation of local debt in China and the expansion of its risks will hinder the transformation of economic development mode, reduce the quality of economic development, and have a “crowding out effect”³⁵ on private investment. So, the economy maintains a high inflation rate, causing high housing prices, which is not conducive to Reform of income distribution and worsening the credit of the government and the financial system.

According to National Audit's report in 2013, the total local debt of the city totaled 384.78 billion yuan. Among the provinces, the debt ratios of the nine provincial capitals with repayment obligations exceeded 100%, and the highest reached 188.95% (if the government has the debt with guarantee responsibility, the debt ratio is the highest 219.57%). The debt balance of the audited region at the end of 2010 accounted for 31.79% of the country's total local debt. According to its proportion, the national government debt was 12.1 trillion. However, this obviously underestimates the size of local debt, because most of the areas audited are developed provinces and the debt problem is not serious in other regions. According to some studies, the proportion of direct debt burdened by local governments at various levels in China is about 10% to 15% of GDP.

³⁵ The crowding out effect is that government public investment has squeezed out private sector investment.

Some local governments have a heavier debt burden with repayment obligations. At the end of 2010, 78 municipal and 99 county-level governments had debt ratios of more than 100%; due to insufficient solvency, some local governments could only raise new debts and repay old debts.

Most local governments repay debts depending on land sales revenue. At the end of 2010, the balance of commitments to repay debts with land sales income was 2574 billion yuan, involving 12 provincial, 307 municipal and 1131 county governments.

More Cost on Migrant Citizenship

The core of urbanization is the people's urbanization, that is, the migrant workers' citizenization, and the essence of the equalization of public services. Properly addressing the effective integration of a large number of agriculturally transferred populations into local cities and equal access to public services is a major challenge and a major obstacle to China's future urbanization. At present, the population of migrant workers in China is huge, the cost of citizenship is high, and the financial pressure faced by local governments cannot be avoided in a short period of time. It is a long-term and arduous task to promote farmers' citizenization in a rational and orderly manner.

The success or failure of China's urbanization depends to a large extent on whether the problem of migrant workers can be properly handled. At present, lots of migrant workers are difficult to integrate into urban society, and the process of citizenization is lagging behind, becoming one of the important issues highlighted in the process of urbanization. In the final realization of the citizenization of migrant workers, in addition to the reform and innovation of the household registration system, employment system, social security system, land system and other related systems, it is necessary to increase relevant investment in the process of citizenship of migrant workers and the need for funds for urban public services.

In order that many rural transfer populations to be effectively integrated into urban life, it is inevitable that the government will increase financial input in the supply of public services. Generally speaking, the cost of peasant citizenization occurs when the peasants become migrant workers entering the city, which is

basically the sum of the individual input of the existing urban civic living standards and the government's provision of the necessary public service inputs.

The cost of citizenization can be decomposed into private consumption costs and public welfare costs. The private consumption costs mainly refer to the living expenses paid by migrant workers for living in cities. The public welfare costs are shared by local governments, enterprises and individuals. The government is mainly responsible for the financial expenditure of the corresponding basic public services, that is, the local financial cost of the peasant citizenship, while the enterprise where the migrant workers are located bears the corresponding social insurance funds such as pension insurance and medical insurance, and the migrant workers pay social security and urban security, housing and other related expenses.

The public cost of citizenization mainly includes six aspects: 1. The cost of education for migrant children, accounts for 20% of the total costs. 2. Medical insurance costs accounts for 10% of the total costs. 3. Pension insurance costs, accounts for 30% of the total costs. 4. Other social security expenditures of the civil affairs department, accounts for 10% of the total costs. 5. Social management fees, accounts for 20% of the total costs. 6. Guaranteed housing expenditure, accounts for 10% of the total costs. Although there are some other costs, these six aspects are the most important part of the cost of citizenship.

The contradiction between population and finance lies in the mismatch between public service demand and supply. The increase of urban household registration population means the increase of public services and the increase of financial pressure. Most local governments have insufficient motivation to solve the problem of resettlement of migrant workers. The important reason is that they believe most of the economic benefits created by local migrant workers have been taken away by the central government through value-added tax, etc. Local governments, as providers of peasant citizenization financial costs, in basic education, health care, social insurance, employment training, are insufficient to cover the financial cost of the payment.

More Social Conflicts

Political Influence on Government

Since China's household registration system not only includes functions such as identification, demographics and civil registration, but also includes the allocation functions of many rights and economic interests, this is in stark contrast to the household registration system in developed countries.

From the perspective of evolutionary logic, the reform of the household registration system is driven by the demand of China's political and economic system and has the characteristics of interest coordination. The path of reform appears in a step-by-step manner that adapts to internal and external pressures. The reform of the household registration system in the late 20th century was mainly the gradual relaxation of the compulsory restraint on the free migration of the population under the leadership of the central government, but did not adjust the social welfare and economic benefits behind the household registration system, which was based on the “differentiation of interests”. Further driving has formed a multi-interest pattern—the rural household interest, the urban household registration interest, and the household registration benefits of emerging groups (migrant workers) across urban and rural areas. The reform of the household registration system in this century is mainly reflected in the fine-tuning of the household registration interests by local governments. It shows that the household registration reform in small and medium-sized cities is significantly faster than that in the large cities, and the household registration reform in the central and western regions is significantly faster than the household registration in the eastern regions. The characteristics of reform makes the contradiction of the reform of the household registration system increasingly focus on the social welfare and economic benefits attached to the hukou of rural and extra-large (large) cities, and the social welfare and economy attached to the inter-regional (large) urban Hukou.

Since the household registration system is essentially a kind of interest distribution mechanism, and the long-term reform of the household registration system is also economic benefit rather than fairness and justice. The goal of China's household registration system reform is not only to achieve free migration of people, but also identifying or revoking the rights and interests of household

registration and restoring the basic functions of household registration management. More importantly, it is necessary to realize the national treatment of the floating population, and to restructure the rights behind the household registration.

In the process of household registration system reform, if the household registration system reform chooses the preference of the extra-large (large) city as the starting point, the extra-large (large) cities, urban labor enterprises, and urban registered population are the beneficiaries of the reform. The migrant workers and other floating population have become the loser of the reform; if the reform of the household registration system chooses the preference of the migrant population such as migrant workers as the starting point, the interests of the extra-large (large) cities, urban labor enterprises, and urban household registration population will be impaired, and migrant workers will flow. The population, small and medium-sized towns, and the central government have become the beneficiaries of the reform. Obviously, at this stage, China's household registration system reform has been unable to improve the interests of certain members of society without prejudice to the interests of other members of society. That is, there is no "pareto optimal solution" for the reform of the household registration system. The reform of the household registration system will inevitably involve the adjustment of the interests of the urban stock population and the incremental population.

As far as the government of the mega city is concerned, in the context of fiscal decentralization and large-scale gathering of migrant workers, safeguarding the rights and interests of migrant workers and other migrants, safeguarding public interests such as fairness and justice, and developing local economies, strengthening competitive advantages and maintaining social stability and other local interests is particularly true in megacities in the eastern coastal regions. Therefore, the logic of rational choice means that the preference of large (large) cities will give priority to the development of regional economies and the strengthening of competitive advantages and other local interests. As far as the government of small and medium-sized cities and towns is concerned, since the interests of urban household registration begin to converge with the rural household registration interests, and through the household registration reform, it is possible to obtain agricultural land resources at a lower cost. The preferences of

small and medium-sized cities including regional economic development, resource optimization allocation, and society is compatible with the preferences of the central government. As far as companies are concerned, the logic of profit maximization requires the minimization of labor costs. Its preference is mainly to maintain the status as much as possible and to minimize the cost of labor. This is compatible with the preferences of large (large) cities, but conflicts with the preferences of the central government. As far as the urban registered population is concerned, due to the existing welfare benefits, especially the historically accumulated irrational interests and other hidden interests rely heavily on urban hukou. Its preference is mainly to safeguard existing interests, which is related to mega-large cities and urban labor. As for the floating population such as migrant workers, their preference is mainly to equalize the basic public services of the town, safeguard their basic rights and interests, and achieve social equity between the groups. This preference is in line with the needs of the central government.

Table 1 Matrix of rights among stakeholders

	Central government	Big city	Medium and small cities	Urban enterprise	Urban registered population	Migrant Workers
Central government	<u>Promote social fairness and justice and maintain social stability</u>	Provide policy guidance	Provide policy guidance	Cancel employment discrimination and hope for fair employment	Equalization of basic public services, cancellation of improper benefits	Equalization of basic public services
Big city	Household registration becomes an institutional competition mechanism and financial management tool	<u>Regional competition, economic growth, social stability, fairness and justice</u>	I hope migrant workers return to small cities	Cater to the employment benefits of enterprises	Cater to the rights of the existing registered population	Deprivation of rights
Medium and small cities	Exploring a single household registration system	Hope to protect the rights and interests of migrant workers	<u>Economic development, fairness and justice, social stability</u>	Cater to the employment benefits of enterprises	Cater to the rights of the existing registered population	Equalization of basic public services
Urban enterprise	Hope to maintain the employment benefits of the company.	Alliance for economic development	Alliance for economic development	<u>Minimize labor costs</u>	Local Protectionism	Employment Discrimination
Urban registered population	Oppose reform and protect existing household registration interests	Oppose reform and protect existing household registration interests	Oppose reform and protect existing household registration interests	Set the employment threshold for employment	<u>Maximize the existing value of your account</u>	Local Protectionism
Migrant Workers	Hope reform, but lack of influence	Hope reform, but lack of influence	The right to protect agricultural land	Fair employment rights	Equalization of basic public services	<u>Equalization of basic public services</u>

Lack of Reforms

On the whole, the reform of the household registration system at this stage is mainly reflected in the partial reform of the local government, and it shows that the household registration reform in small and medium-sized towns and the central and western regions is significantly faster than that in large cities and household registration reform in the eastern region. Judging from the theoretical logic of new political economy, this kind of rights allocation and interest restructuring is also the result of the game between the governments at all levels, enterprises, urban registered population, and migrant workers. Due to the low public welfare of small and medium-sized towns and the least resistance to reform, it has become the first choice for the reform of the central government's household registration system. However, with the continuous increase of agricultural land rent, the interest gap between agricultural hukou and non-agricultural hukou in small and medium-sized cities has been significantly narrowed. The central government's liberalization of hukou in small and medium-sized cities has not led to the large-scale settlement of migrant workers and other migrants.

As far as the local government's household registration reform is concerned, due to the obvious differences in the social background, institutional conditions, development stages, and political will of the reform of the household registration system in small and medium-sized cities, the central and western regions, and the eastern region, the constraints of heterogeneity obviously affect the interest game, and It led to the reform of diversity. For the capital cities of the central and western regions, the economic benefits behind the hukou are far lower than those in the eastern capital cities, and the reform of the one-dollar household registration will not be promoted in the context of the concentration of migrant workers still in the east. Because these provinces are the outflow of migrant workers, they have the political obligation to solve the problem of migrant workers. The reform of Hukou can not only attract the concentration of labor-intensive industries to the region, but also obtain the land of migrant workers at a lower cost and increase the proportion of urbanization. The pressure of reform is outstanding and the benefits are obvious. For the eastern cities, on the one hand, because the economic benefits behind the hukou are too high, the interest gap between migrant workers and urban household registration will be aggravated in the context of the concentration of migrant workers in the eastern part of the country. Reducing the

original welfare benefits will lead to strong opposition from the urban registered population. The resistance to reform is obvious and the cost is outstanding. On the other hand, due to the industrial transformation and upgrading, the industrial dependence of these cities on migrant workers is declining, and the eastern part is only migrant workers. In the inflow area, under the conditions of fiscal decentralization and localization of household registration, the household registration reform in the eastern region cannot obtain the land of migrant workers as in the central and western regions. The reform pressure is small and the benefits are limited. It is precisely under such interest trade-offs and games that the reform of the household registration system in the eastern region is obviously lagged behind the reform of the household registration system in the central and western regions.

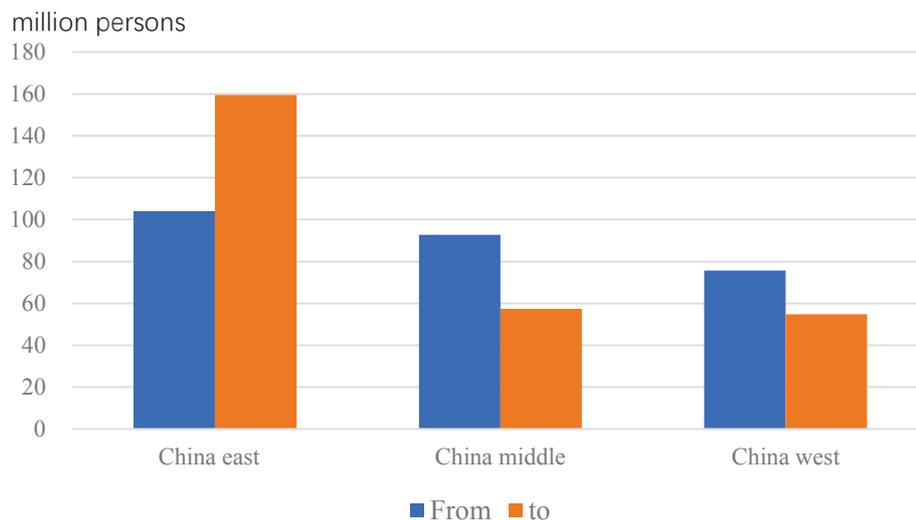


Figure 21 Migrant workers origin and destination

Source: National Bureau of Statistics

Demographic cliff

It has been 20 years since the Chinese population entered a low fertility rate. The United Nations population prediction simulation results show that the main contradiction of the Chinese population in the 21st century has shifted from the total population size problem to the population age structure problem, and the future population aging is fierce. China's population development is at a critical moment, and the bias in population theory propaganda and estimation forecasts has

misled the correct grasp of the population trend, resulting in a serious low fertility rate in China, leading to an excessively small and aging population in the future. risk.

According to the UN's prediction, the most optimistic situation is that China's population will continue to grow slightly, and the most pessimistic trend is that in 2100, it will only be half of the peak in 2020. The medium-term forecast shows that China's population peak will come in 2030, reaching 1,450 million. After that, the population began to decline, only 1370million by 2050, and only 1030million by 2100, only equivalent to the 1980 level. In any case, the overall situation in which the Chinese population will peak in the next few decades and begin to decline will be irreversible.

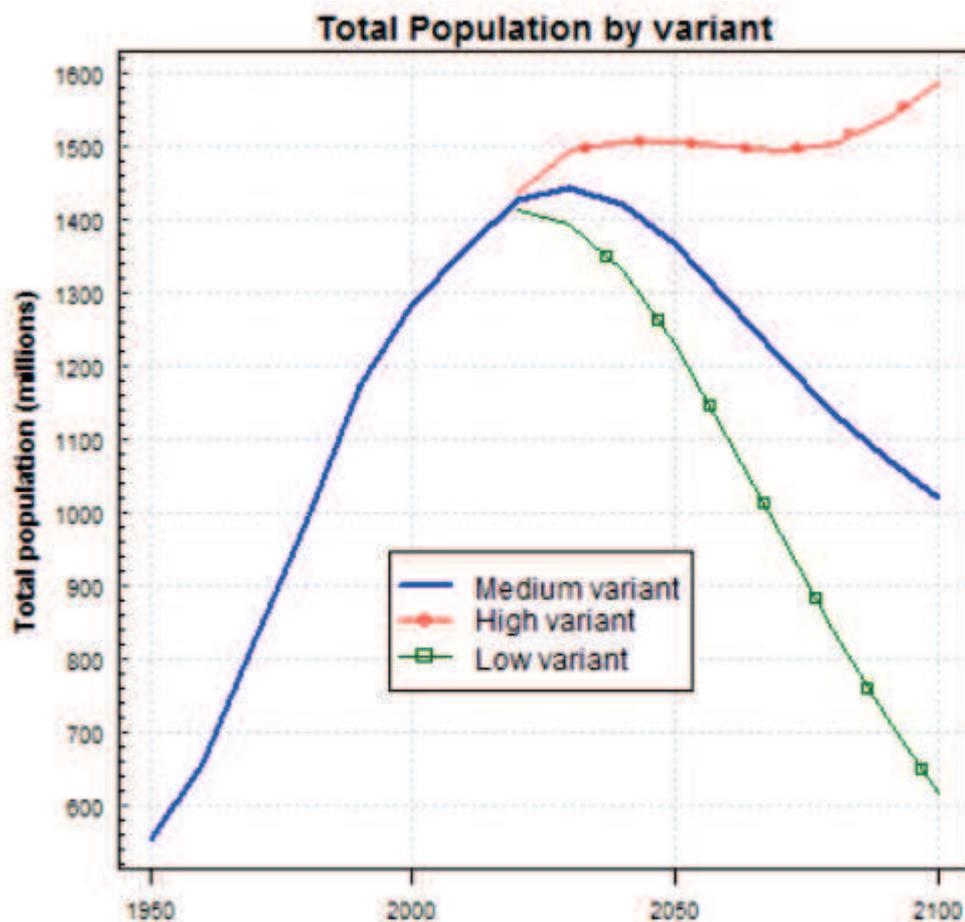


Figure 22 The total population projections in China

Source: United Nations

As the total population level declines, a major problem that China has to face is the aging of the population. China's current young and middle-aged population

will rapidly age in the coming decades. Forecasts show that the 14-64-year-old working-age labor force will peak in 2020 and will decline rapidly from then on, only to 55% of the peak period in 2010. At the same time, the number of children has also fallen sharply, while the number of older people has increased rapidly. The number of elderly people over the age of 65 is expected to peak in 2060.

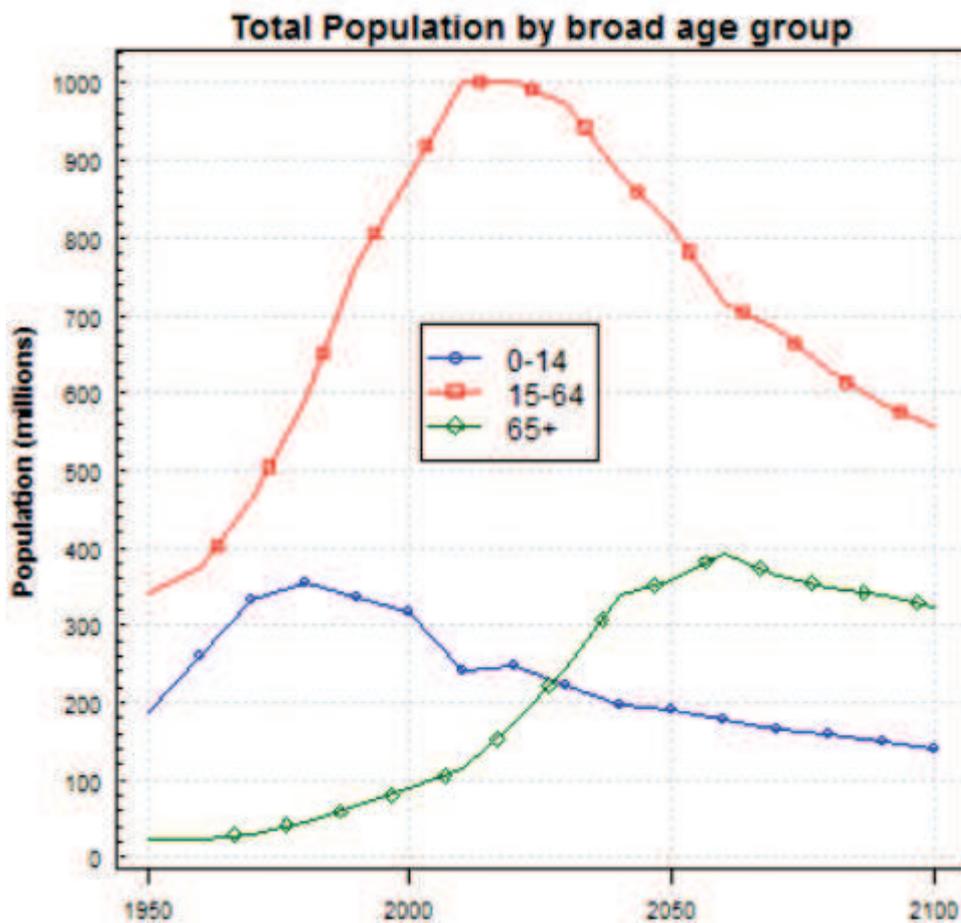


Figure 23 The population projections of different ages in China

Source: United Nations

The rapid aging of China's population and the decline in the supply of young and middle-aged labor will be an important threat to the traditional urbanization path. Because China's traditional urbanization road relies on the rural people to provide cheap and suitable working-age labor as the basis, if the supply of young and middle-aged rural areas continues to decline, and even the cliff-like phenomenon, then this urbanization road will lose its fundamental support. Chinese cities have to liberalize their household registration systems and increase public welfare spending on migrants to attract more people into these cities.

Empirical research : political orientation of people with different Hukou

In CGSS (Chinese General Social Survey), there are 10,968 samples in 2015. Detailed data provide very favorable conditions for citizenship research.

Since the questioning method of the questionnaire is a discrete answer of the dimension, for example, the score of the policy satisfaction is from 1 to 5, the study of the citizenship tendency can be performed using the **ordered probit** model (see the annex 3 for the results of the OLS method).

The variables being explained include **Communication, Fair, Happiness, Disputes, Satisfaction.**

Communication refers to the frequency with which the respondents socialize with their neighbors, with scores ranging from 1 to 5 points. This indicator measures the level of individual social integration.

Fair refers to the degree of recognition of the respondents to social fairness. It is not recognized as 1 point at all and is fully recognized as 5 points. This indicator measures an individual's perception of social equity.

Happiness refers to whether the respondent feels happy, feels completely unhappy for 1 point, and is very happy for 5 points. This indicator measures an individual's perception of his or her own happiness.

Disputes is such a question: **Do you agree with the following statement, if someone criticizes the government in public, the government should not interfere?** The answer is 5 points for complete agreement and 1 point for complete disagreement. This problem measures the individual's recognition of social order.

Satisfaction is such a question: **What is your overall satisfaction with social public services?** The answer is 5 points for complete satisfaction and 1 point for complete dissatisfaction. This issue measures the extent to which individuals agree with government public services.

Explaining variables include **Hukou, political status, sex, insurance, income, class.** Among them, Hukou is the main explanatory variable, while other variables are controlled variables.

Hukou is the main explanatory variable. There are four categories: the first category is the agricultural hukou, the second category is the hukou of the town, the third category is the resident hukou (formerly the agricultural hukou), and the fourth category is the resident hukou (formerly a non-agricultural hukou). The four types of household registration indicators basically cover all types of household registration in China.

Political status refers to whether the visiting individual is a member of the Communist Party of China. In China, members of the Communist Party of China represent a superior political recognition.

Sex means male or female.

Insurance refers to whether the individual participates in basic pension insurance and medical insurance.

Income refers to the total income of the family last year.

Class refers to the social class in which the individual thinks he is, the highest is 10 and the lowest is 1.

The results of regression using the Order Probit(Oprobit) method are presented in table 2.

Table 2 Regression result by Oprobit Method

Variables	Communication	Fair	Happiness	Disputes	Satisfaction
<i>Hukou</i>	0.1523*** (0.0080)	-0.0329*** (0.0077)	0.0411*** (0.0080)	0.0118* (0.0075)	0.0481*** (0.0077)
<i>Political status</i>	0.0419*** (.0097)	0.0343*** (0.0094)	0.0816*** (0.0098)	-0.0200*** (0.0092)	0.0345*** (0.0094)
<i>Sex</i>	-0.1504** (0.0211)	-0.0413** (0.0207)	0.0727*** (0.0213)	-0.0809*** (0.0201)	-0.0222 (0.0206)
<i>Insurance</i>	0.0326 (0.0202)	-0.0398*** (0.0127)	-0.0257** (0.0130)	0.0256*** (0.0124)	-0.0121 (0.0126)
<i>Income</i>	1.00e-07* (3.68e-08)	4.44e-08 (3.72e-08)	1.18e-07*** (3.79e-08)	1.29e-07*** (3.58e-08)	1.94e-08 (3.59e-08)
<i>Class</i>	0.0092*** (0.0029)	0.0248*** (0.0028)	0.0498*** (0.0029)	0.0134*** (0.0027)	0.0260*** (0.0028)

Note: The number means the possibility that the explaining variables take to the explained variables. The numbers in parentheses represent the standard deviation,

*** indicates significant at 1%, ** indicates significant at 5%, and * indicates significant at 10%.

From the results of the regression, in terms of social integration, as the population citizenization process increases, the level of social integration (social communication) will also be greatly enhanced. This is due to the higher social needs and social inclusion of urban residents. The process of citizenship of migrant workers will also be the process of reintegration of the entire society.

In terms of fair recognition, as the degree of citizenship increases, the perception of social injustice will become clearer. This is because in the rural hukou stage, it is difficult for individuals to feel social injustice. When entering the citizen stage, individuals begin to reach more types and levels of people, and their horizons are greatly expanded, so that the understanding of social injustice is more direct.

In terms of the acquisition of happiness, the process of citizenization will greatly enhance people's happiness. This is because with the advancement of the citizenization process, people can enjoy more social welfare and gain more social resources, thus improving their happiness.

With regard to the recognition of social order and the recognition of government public services, as the level of citizenship increases, these perceptions about public order and services will be enhanced. This means that people will be more aware of the government and order, and society will be more stable.

From the results of quantitative regression, the transformation of urban development model and the promotion of migrant workers' citizenization can greatly promote the acceleration of social integration and the maintenance of social public order, which will be conducive to the construction of China's future stable social structure.

A Summary : City Governance Dilemma

For more than 30 years, China's urbanization has created a huge material civilization, which has effectively promoted the process of socialist modernization with Chinese characteristics. However, a series of problems accompanying this urbanization, such as the gap between the rich and the poor, the status of migrant workers, efficiency and equity, urban-rural disparities, urban political and cultural identity, etc. These problems make this model of urbanization no longer sustainable.

Due to the high compression in time, the executive-led in the process, and the complexity of the content dimension, China's urbanization is facing the lack of marketization power, the widening gap between urban and rural development, the slow process of peasant citizenization, the imbalance of urban structural system and frequent conflicts. Such risks bring great practical difficulties to urban governance. The cities should strengthen the market-driven mechanism of urbanization, improve the urban public service system, strengthen institutional construction and innovation, pay more attention to urbanization, guide the healthy development of the urban system, and take the road of connotative urban development.

The existence of the household registration system is undoubtedly the main institutional factor that causes urban-rural division, and it is also an important reason for farmers who are working in cities to be excluded from the mainstream society of the city. The difficulty in safeguarding the legitimate rights and interests of migrants is directly related to the sustainable development of the urban economy and social stability. The floating population lives, works, consumes, pays taxes, creates wealth in the city, contributes to the economic growth of the city, but cannot enjoy (at least not share it with urban residents). Although the unreasonable addition of various social welfare benefits associated with household registration is a historical legacy, the current urban population management thinking is also based on the current demographic situation and economic and social development status.

4th Part: City Development and Transition, Taking Four Cities as Examples

Selection of City Cases

The previous chapter analyzed the current problems of Chinese cities, and the article explains the current state of urban transformation in China. Due to China's vast territory and large population, China has now formed more than 500 large and small cities. The gap between cities is enormous and it is impossible to cover them as a whole with a simple model. Therefore, this chapter adopts the form of typical case analysis to conduct research on the transformation of four typical Chinese cities. The four cities are: Beijing, Shenzhen, Shaoxing and Puyang.

- These four cities are very distinctive and typical

Beijing is the capital of China and has excellent medical and educational resources. It is a place that Chinese people yearn for. Since the 1990s, the influx of migrants from Beijing has become apparent. However, since 2014, Beijing's policy on migrants has undergone major changes. Beijing no longer welcomes the continued entry of the population. Beijing has set a strict population red line: 23 million people. The household registration in Beijing has therefore become the most stringent hukou policy in the country.

Shenzhen was the city that was established after China's reform and opening up in 1978. Shenzhen is the city with the highest proportion of migrants in all cities in China, because Shenzhen's population is almost always immigrants from various provinces. Shenzhen has not set a strict population red line and has adopted an open policy on population movement. Therefore, Shenzhen's household registration policy is very loose compared to other big cities. But the rapidly increasing number of migrants has also increased the pressure on urban management in Shenzhen. Therefore, Shenzhen adopted a model of digital management of population blocks.

Shaoxing is a medium-sized coastal city near Shanghai. The reason why Shaoxing was chosen is because Shaoxing is the epitome of small and medium-sized cities along the eastern coast. Here, the industrial base is developed and requires a large number of migrant workers. The cities here are also relatively

open and are actively pursuing reforms in the household registration system and urban transformation.

Puyang is a medium-sized city in central China. Here the economy is declining and the population is out. The labor force here is going to work in the eastern provinces to make a living. Therefore, Puyang is actually the most typical representative of the central and western cities of China. The urban development of Puyang relies on oil. Zhongyuan Petroleum³⁶ is the largest enterprise in the region. The economy and employment of the entire city depend on the oil industry. But in these years the oil field has gradually dried up and the economy is on the verge of collapse.

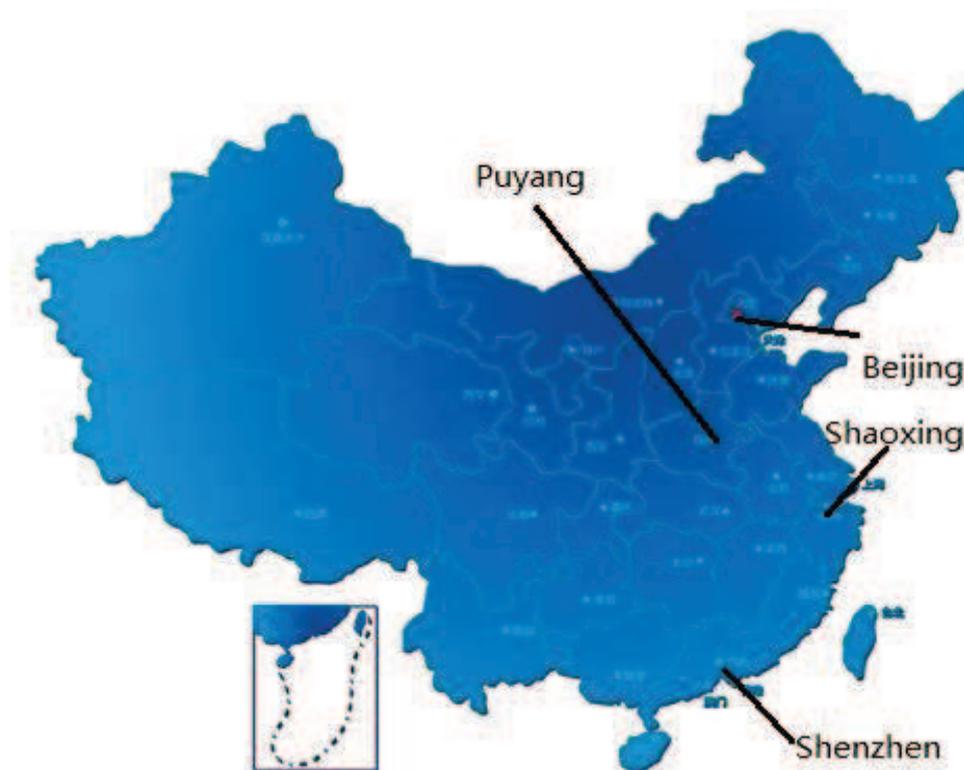


Figure 24 Four cities in China

The table below shows the main features of these four cities. Both Beijing and Shenzhen are super-large cities, while Shaoxing and Puyang are medium-sized cities. Both Beijing and Shenzhen are in large population inflows. Shaoxing is a medium-income inflow. Puyang is a net outflow of people, especially in the rural areas of Puyang. Beijing's hukou policy is retrogressive, which is increasingly

³⁶ Zhongyuan Oilfield is the second largest oil and gas field under China Petrochemical Corporation and is headquartered in Fuyang City, Henan Province. Zhongyuan Oilfield was discovered in 1975. After more than 30 years of development and construction, it has basically dried up.

strict. The household registration system in Shenzhen has stagnated, and the household registration reforms in Shaoxing and Puyang have improved. As far as urban policy orientation is concerned, Beijing tends to drive out migrants. Although Shenzhen welcomes migrants, it adopts a digital management model. Shaoxing is trying to integrate foreigners and locals. Poor Puyang is difficult to take any measures to make up for the loss of population and economic downturn.

Table 3 Comparison of four cities

City	Scale	Population migration	Hukou reform	Policy Oriented
Beijing	Super large	Move in	Backwards	Clean out
Shenzhen	Super large	Move in	Stagnant	Digital management
Shaoxing	Middle	Move in	Advancement	Integration
Puyang	Middle	Move out	Advancement	Decay

Migration in Cities

- A special class: migrant workers

Migrant worker is a very special group of Chinese society. Migrant workers refer to workers whose hukous are still in rural areas, who work in cities and work in non-agricultural industries for 6 months or more in local or remote areas. Local migrant workers refer to migrant workers who work in the township where the household registration is located. Migrant workers refer to migrant workers who work outside the township where the household registration is located.

The earliest statistics on migrant workers are in 2008, when the number of peasant workers was 225 million. In 2017, the number of migrant workers was 286 million. It has increased by 27% in the last decade. The proportion of migrant workers in the national employment is also 30% in 2008, and it has rapidly increased to 37% in 2017. This data shows that the proportion of Chinese farmers entering the city is still increasing. Despite more than 30 years of urbanization, the income gap between urban and rural areas has not been eliminated. This is the most fundamental reason why farmers continue to enter the city to find work. The reason why this income gap has not been eliminated is the Chinese predatory urbanization model.

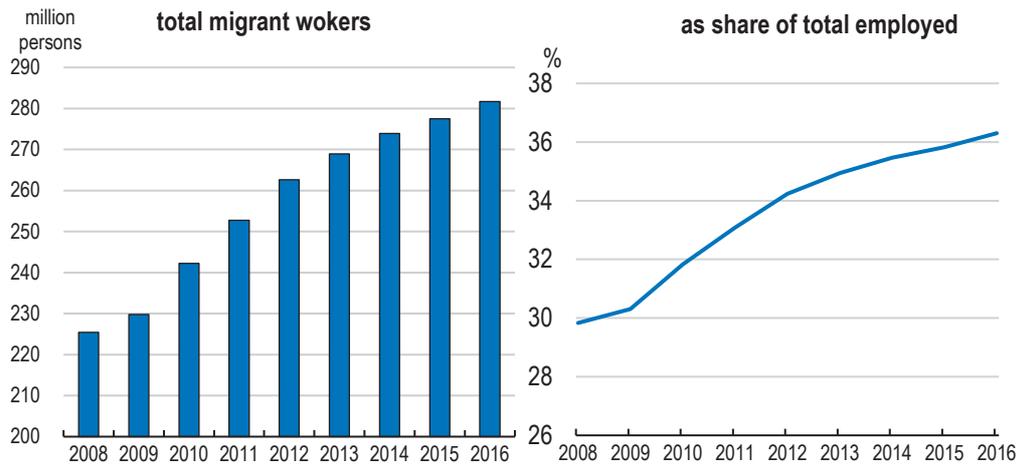


Figure 25 Total migrant workers and share of employment

Source: National Bureau of Statistics

- The migrant workers in cities

Migrant workers in the city have very low incomes. Although the income level of migrant workers has increased in recent years, it is still far below the national average wage level. In 2008, when the national average annual wage was still 29,000 yuan, the average annual income of migrant workers was 17,000 yuan. When the national average wage reached 70,000 yuan in 2017, the average annual income of migrant workers was only 45,000 yuan. The annual income of migrant workers mentioned here refers to the income return of migrant workers who do not have any holidays and work continuously throughout the year. Because in general, migrant workers have no holidays and weekends. Most migrant workers do not sign labor cooperation with employers and are not protected by labor laws.

The reason why such a large-scale urban migration is due to the inherent income gap between Chinese cities and rural areas. In 1978, the average income of Chinese cities was 2.55 times the average income of rural areas. From 1978 to 1984, it was the stage of rural reform in China. During this period, the income of rural residents in China grew rapidly, and the average urban income fell to 1.8 compared with the average rural income. However, with the advancement of urban reform and the rapid increase in urban income, the income gap between urban and rural areas in China has rapidly expanded. The income ratio of urban and rural areas has

risen to 3.3 times in 2009. Although the income gap has declined in recent years, it has also remained at a high level of three times.

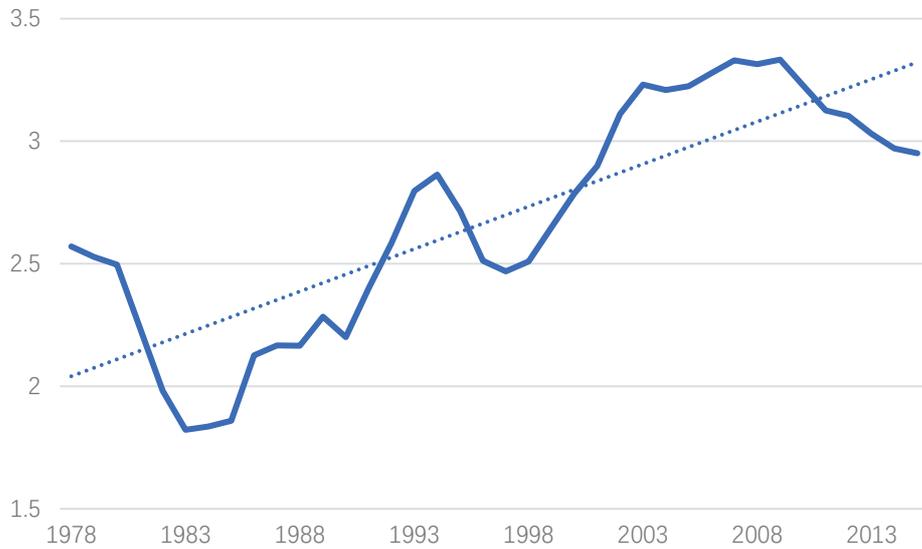


Figure 26 Ratio of urban income to rural income

Source: National Bureau of Statistics

The social welfare of migrant workers is very poor, especially the coverage of social security is extremely low. Only 10-15% of migrant workers have endowment insurance, and 23-30% of migrant workers have work-related injury insurance. The coverage of work-related injury insurance is relatively high because the employers who hire them do not want to pay too much compensation for injuries and injuries, in the event of a work-related accident. 15% have medical insurance, 5-10% have unemployment insurance, and less than 8% have maternity insurance.

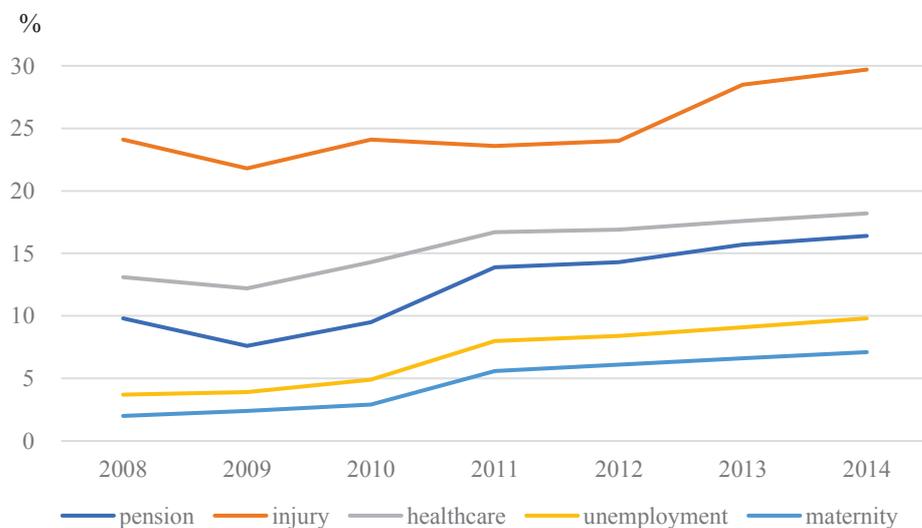


Figure 1 Social insurance coverage of migrant workers

Source: National Bureau of Statistics

Moreover, migrant workers have gradually "older" in these years. Compared with a decade ago, the proportion of young migrant workers has fallen sharply, and the number of elderly migrant workers has soared. In 2008, about 45% of migrant workers under the age of 30, and about 70% of migrant workers under the age of 40. Today, only 31% of migrant workers under the age of 30, and only 55% of migrant workers under the age of 40. The increase in the age of migrant workers has led to a decline in the ability to work, and on the other hand, the cost of welfare spending in society has further increased.

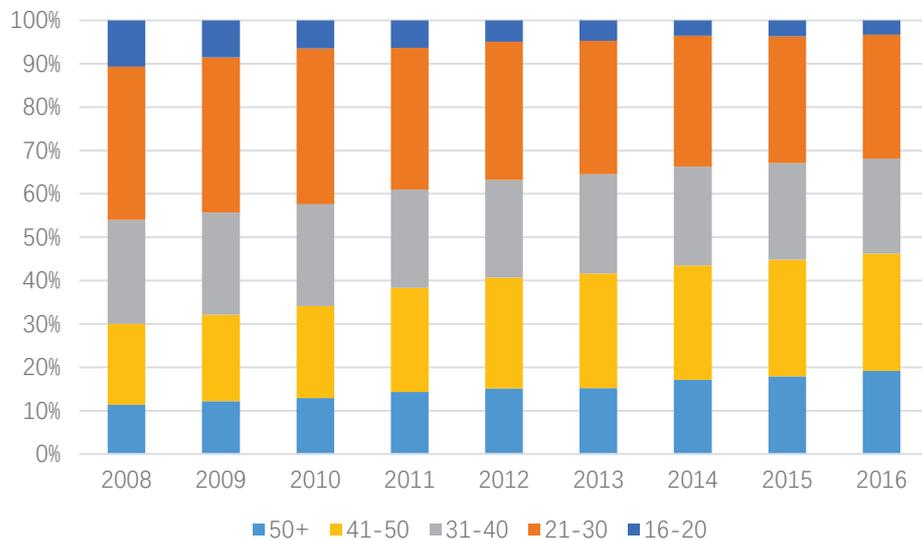


Figure 27 Migrant workers' age distribution

Source: National Bureau of Statistics

Experimental and Failure

At the national level: In 2001, the State Council approved the “Opinions on Promoting the Reform of Urban Household Registration Management System”, and the hukou of small towns was fully liberalized to foreigners with fixed residences and legal income. In 2003, the Standing Committee of the National People's Congress passed the "Residential Identity Card Law of the People's Republic of China", and the household registration management began to move toward ID card management. In 2007, the central government further requested to actively and steadily promote the reform of the household registration system, and for the first

time proposed the establishment of a unified household registration management system. In 2010, the State Council approved the “Opinions on Deepening the Key Work of Economic System Reform”, stressing that deepening the reform of the household registration system will speed up the implementation of the settlement policies for small and medium-sized cities and small towns, and for the first time propose to implement a residence permit system nationwide.

At the local level, China's household registration system reform mainly presents the following three modes: The first is the reform of the small and medium-sized cities and towns “to fully open the household registration, such as the cancellation of the dual household registration of agricultural population and non-agricultural population. The second is the reform of the provincial capital cities in the central and western regions to explore the reform of the household registration, such as Chongqing and Chengdu, which completely abolish the division of agricultural and non-agricultural hukou and establish a unified management. The third is the reform of the eastern region to explore the entry requirements for household registration conditions, such as the years of residence in Shanghai, the years of participation in social security, or the vocational ability and human capital as the conditions for applying for permanent residence in the city.

On the whole, the reform of the household registration system at this stage is mainly reflected in the partial reform of the local government, and it shows that the household registration reform in small and medium-sized towns and western regions is significantly faster than that in large cities. Judging from the theoretical logic of new political economy, this kind of rights allocation and interest restructuring is also the result of the game between the governments at all levels, enterprises, urban registered population, and migrant workers. Due to the low public welfare of small and medium-sized towns and the least resistance to reform, it has become the first choice for the reform of the central government's household registration system. However, with the continuous increase of agricultural land rent, the interest gap between agricultural hukou and non-agricultural hukou in small and medium-sized cities has been significantly narrowed. The central government's

liberalization of hukou in small and medium-sized cities has not led to the large-scale settlement of migrant workers and other migrants, and has not cured the interests.

For the eastern cities, on the one hand, because the economic benefits behind the hukou are too high, the interest gap between migrant workers and urban household registration will be aggravated in the context of the concentration of migrant workers in the eastern part of the country. Reducing the original welfare benefits will lead to strong opposition from the urban registered population. The resistance to reform is obvious and the cost is outstanding. On the other hand, due to the industrial transformation and upgrading, the industrial dependence of these cities on migrant workers is declining, and the eastern part is only migrant workers. In the inflow area, under the conditions of fiscal decentralization and localization of household registration, the household registration reform in the eastern region cannot obtain the land of migrant workers as in the central and western regions. It is precisely under such interest trade-offs and games that the reform of the household registration system in the eastern region is obviously lagging behind the reform of the household registration system in the central and western regions.

Table 4 The rights of Hukou

Public Service Area	The non-registered population has equal public service rights	Public services not fully acquired by non-resident population	Public services not yet acquired by non-resident population
Labor employment	Equal right to work and employment has the right to basic public employment services	_____	_____
Social insurance	The non-registered population has the right to participate in the law according to law and has established the transfer system for the endowment insurance.	The cost of basic living insurance for employees such as old-age care is too high and does not apply to low-income people.	Residents' pension insurance and medical insurance have not yet expanded to non-resident population
Social Assistance	Temporary assistance legal aid service		Most social assistance projects still exclude non-resident population
Social welfare	_____	_____	The overall level is low and basically does not extend to non-resident population
Medical hygiene	Basic public health services	The level of public health services enjoyed	_____

		by urban residents is also low, so there is no special exclusion effect on non-registered populations.	
Public education	Children of non-resident population may be in compulsory education. Equal access to public schools	_____	Public education in non-compulsory education is still excluded from non-registered population
House insurance	Deposit, withdrawal and use of housing provident fund	The non-resident population has the right to apply for public rental housing conditionally	_____

Beijing

City Development in Beijing

When the People's Republic of China was in 1949, Beijing became the capital of China. Since then, Beijing has risen rapidly and has become the center of China's northern economy, especially industry. With the reform and opening up and the development of the urban economy, Beijing's industry has gradually moved out, and Beijing's service industry has developed rapidly. At present, Beijing's service industry accounts for more than 80% of the economy and has reached the level of developed countries.

Beijing's urban development is significantly different from Shanghai and Shenzhen. Because Shanghai and Shenzhen are still dominated by manufacturing, Beijing has become a service-led city due to special political and economic reasons. Therefore, Beijing's attraction to the population is significantly different from Shanghai and Shenzhen.

The characteristics of Beijing cities are as follows:

1. Concentration of central state organs. Beijing, like Paris, Washington, and Tokyo, is the center where China's central ministries and commissions work together. Because China is a centralized state, the number of ministries is large and the scale is relatively large. At present, there are 106 central government departments in China, and these departments have a large number of institutions, enterprises and even financial institutions.

2. State-owned enterprises, especially central state-owned enterprises, are concentrated. China's state-owned enterprises account for a large proportion of the economy, and state-owned enterprises affiliated to the central government account for one-third of the total assets of state-owned enterprises. At present, there are 98 state-owned enterprises in the central government, and most of them are in Beijing.

3. Large financial institutions, especially large state-owned banks. The financial street in Beijing's Xicheng is where financial institutions gather. Four of China's top five state-owned banks are based in Beijing. Most of the loans were issued in Beijing, the de facto Chinese financial center in Beijing.

4. Concentration of scientific and technological resources. Beijing's efficient number is the first in the country. Peking University, Tsinghua University, Renmin University of China and other universities, the Chinese Academy of Sciences, the Chinese Academy of Engineering and other scientific research institutions are concentrated in Beijing.

This feature of Beijing can be seen from the tax structure of Beijing. In 2016, Beijing's financial industry tax accounted for 41.7% of Beijing's urban tax revenue, while Beijing's financial industry tax also accounted for one-third of the national financial industry tax. Therefore, it is no exaggeration for Beijing to establish a city with finance. Agriculture and manufacturing taxes account for only 8.9% of Beijing's tax revenue. Therefore, in addition to the financial industry, trade logistics, information technology, and real estate account for nearly half. Therefore, the two-level differentiation of Beijing's urban population is very serious. On the one hand are high-end financial, technology, and education talents, these people have high education, high social status and high income; the other side is low-income groups engaged in low-end services: they are engaged in low-income industries such as catering, express delivery, and transportation.

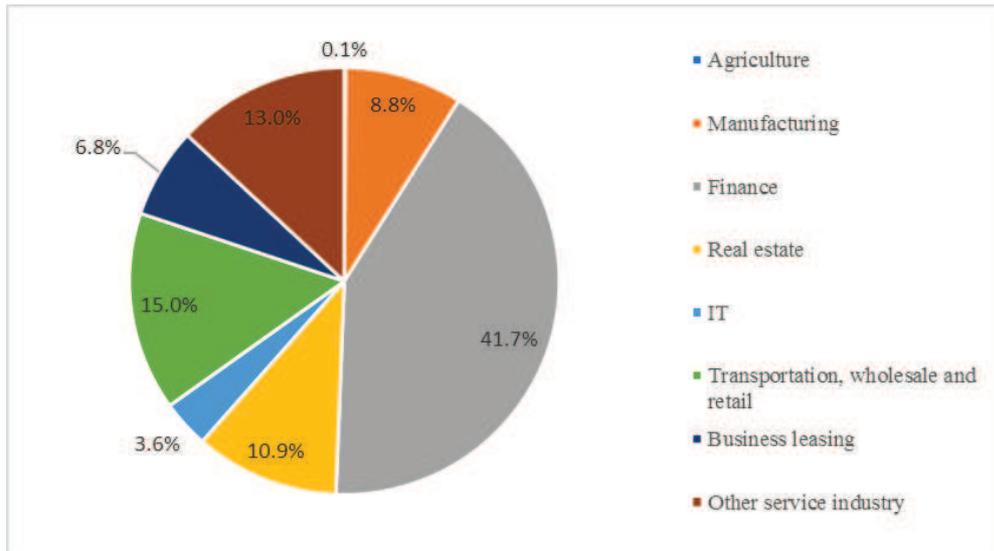


Figure 28 The economic structure in Beijing

Source: Beijing Municipal Bureau of Statistics

Through the light maps in Beijing, we can clearly see the key areas of Beijing's development and the changes in urban development. The western and northern parts of Beijing are both mountainous and inaccessible, and the heart of Beijing is in the southeast. Although Beijing's area is very large, Beijing's total administrative area reaches 16412 square kilometers, but Beijing's capital core area only accounts for 0.57% of the total area, and the core expansion area is only 7.77%, which together add up to the total area of Beijing. Ten percent. From 2000 to 2012, we can see from the light map that the brightness of Beijing cities is more concentrated and the urban population is more dense.

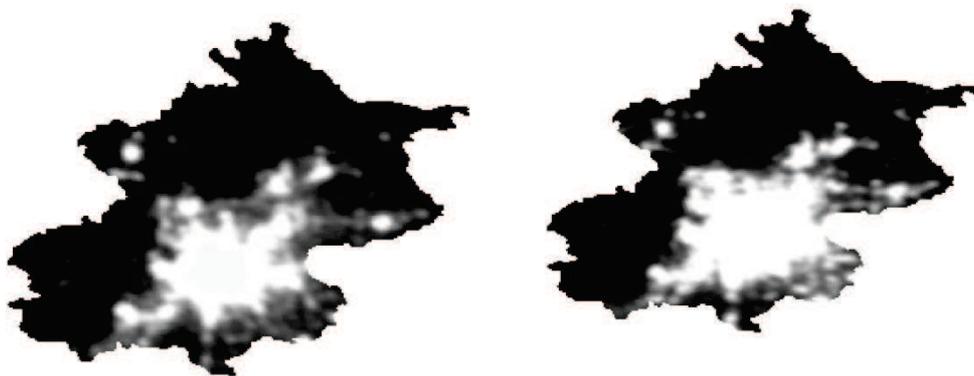


Figure 29 Light map in Beijing 2000(left) and 2010(right)

Source: National Oceanic and Atmospheric Administration of USA

With the expansion of Beijing's cities and the concentration of population, Beijing's housing prices have also begun to rise rapidly. From 10,000 yuan per square meter in 2007, it has risen to 90,000 yuan per square meter in 2017, and it has become nine times in just ten years. Beijing has thus become the city with the highest housing prices in China. In March 2017, the Beijing Municipal Government introduced the most stringent real estate control policies in history to control housing prices. The momentum of speculation in real estate was curbed and house prices fell. Despite this, Beijing's housing prices are still maintained at 80,000 yuan per square meter.

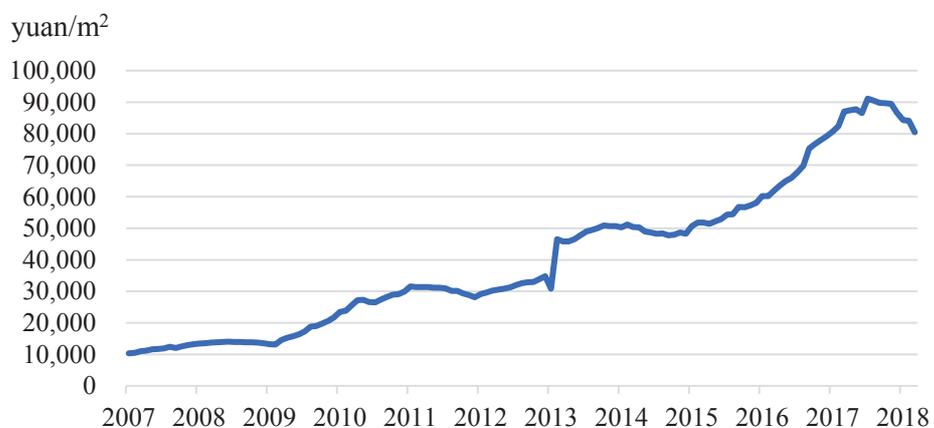


Figure 30 Housing price in Beijing

Source: Beijing Municipal Bureau of Statistics

Beijing's tax sources are abundant. Since a large number of financial institutions are headquartered in Beijing, Beijing's tax revenues from financial institutions account for one-third of Beijing's total tax revenue, and these financial institutions account for one-third of national financial taxes. Although the fiscal expenditure in Beijing is slightly larger than the fiscal expenditure, Beijing can basically achieve a balanced budget due to the existence of local government fund income.

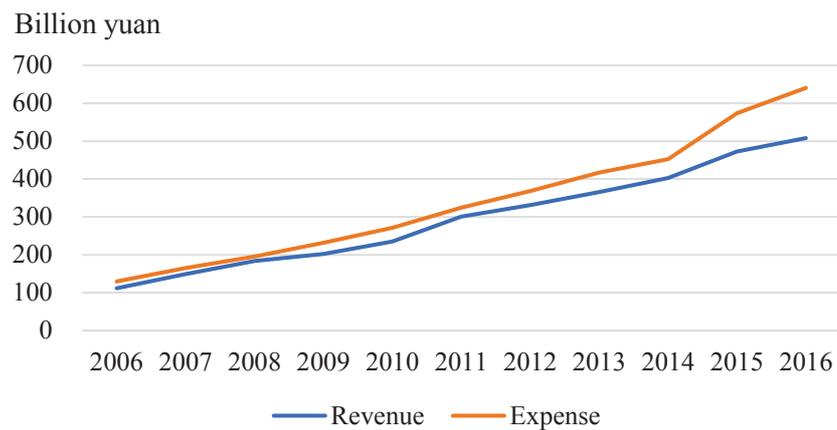


Figure 31 Beijing Budget Revenue and Expense over The Year

Source: Beijing Finance Bureau

Reasons for Beijing's Population Gathering

Quality public service. For immigrants or migrants with immigrants' wishes, Beijing's large number of high-quality public resources are also widely concerned.

- Education

Beijing is undoubtedly the most developed region in the country. Especially in higher education, Beijing has 8 “985” universities³⁷ (38 in China), 4 in Shanghai, 2 in Tianjin. And Beijing has 23 “211”universities (100 in China), while 9 in Shanghai, 3 in Tianjin, and 2 in Chongqing. Especially the most famous Tsinghua University and Peking University are in Beijing, which has great attraction for the people of the country. And the probability of being admitted to a famous university such as Tsinghua University is much higher than that of other provinces and cities. Although Beijing has the best educational resources, it has strict restrictions on the children of permanent residents who are studying and going to school. It does not say that the quality of kindergartens and high-quality primary and secondary schools is very strict. The restrictions on the entrance examination and the college entrance examination are Many foreign children have been discouraged. Although they have improved, the current policy is still not optimistic. According to Beijing's new policy, from 2014 onwards, if the resident population has a legal and stable place of residence in Beijing, legally stable occupations for 6 years, 6 years

³⁷ "985" and "211" are lists of famous Chinese universities in China. The "985 Project" is to create a world-class university and a high-level university. It is planned to be implemented on May 4, 1998, hence the name. “211” refers to the construction of 100 top universities in China in the 21st century.

record of continuous social insurance payment in Beijing. So these children can take the vocational school exam. But the door to the ordinary college entrance examination is still closed to these children. Compared with the first-tier cities such as Shanghai and Guangzhou, and the population-producing provinces such as Shandong and Henan, Beijing's education policy for the children who move with them seems very unreasonable. Therefore, objectively speaking, Beijing's quality education resources are basically little or fundamentally high for the migrant children of the migrant population. Despite this, it still can't stop the enthusiasm of foreigners to enter Beijing.

- Medical treatment

Beijing does have the best medical resources in the country. Beijing is recognized as the best and most comprehensive medical facility in the country. Due to the excessive concentration of quality medical and health resources in Beijing, a large number of foreign populations went to Beijing to see a doctor for medical treatment. On the one hand, Beijing's tertiary hospitals were over-crowded and the supply of medical resources was intensified. On the other hand, a large number of migrants went to Beijing to see a doctor, which aggravated population and transportation. pressure. The data shows that there are more than 220 million patients in Beijing every year, and more than 700,000 patients from other places go to the hospital every day; especially in Hebei, nearly 7 million people go to Beijing every year. The rate is as high as 70% or more. This has in some ways exacerbated Beijing's population, resources, and environmental carrying pressure. Judging from the evaluation indicators of medical and health services, Dongcheng District and Xicheng District have gathered a large number of high-quality medical and health resources, which not only attracts medical personnel from other districts and counties, but also attracts people from all over the country to seek medical treatment.

Shift of Population Policy

With the rapid development of Beijing's economy, there are more and more people coming to Beijing to find employment and living. The household

registration system in Beijing has also begun to change. Beijing's population movement and household registration system can be divided into three stages.

The first phase was from 1978 to the mid-1990s. During this period, Beijing's household registration was strictly controlled. It is difficult for migrants to enter Beijing to survive, and the total population of Beijing has remained at around 10 million. During this period, the proportion of non-resident population in Beijing has remained at a low level of 5%.

The second phase began in the 1990s and ended in 2012. During this period, Beijing carried out a systematic reform of the household registration system. The first is to promote the reform of the household registration system in small towns. In July 1997, Beijing began to implement the pilot reform of the household registration system in small towns. In September 2002, the Beijing Municipal Government implemented the "Opinions on Promoting the Household Registration Management System in Small Towns", stipulating that there are legally fixed residences, stable occupations or sources of living within the planning area of 14 satellite cities and 3 central towns in the city. The personnel and other immediate family members living together, who hold the agricultural hukou of the city, can apply for the permanent residence of the city according to their wishes. The second is to implement the policy of introducing people to settle down. Since 1999, Beijing has successively issued a series of related personnel to introduce talents and invest in the establishment of the government. When you buy a house in Beijing, you can settle in Beijing. In February 2001, Beijing relaxed the standards for age and time of "going into Beijing". From January 2003, Beijing allowed fresh children and vocational high school students to voluntarily transfer to non-agricultural hukou. In April 2007, the Beijing Municipal Public Security Bureau issued the "Beijing Municipal Household Management Work" to facilitate the benefit of the people, the cancellation of the approval system for the city's migration after the expiration of the household registration period in small towns, and the relaxation of the conditions for minors to accompany their fathers in Beijing. Relax the conditions of "agriculture to non-agriculture" for Beijing residents.

During this time, the population of permanent population and registered population in Beijing increased rapidly. The resident population of Beijing increased from 11 million to 20 million, while the registered population rose from 10 million to 13 million. With the liberalization of the household registration system, a large number of people have flooded into Beijing, which has also boosted the proportion of non-hukou population in Beijing. In Beijing, the proportion of people without household registration has increased significantly from 5% in 1994 to 35% in 2012. With the rapid accumulation of population, Beijing's urban pressure is also growing. So in 2012, the policy finally changed radically.

The third phase is from 2012 to the present. Since 2012, Beijing has completely changed its population policy and implemented strict indicator control. That is, the number of permanent residents is controlled, and the number of registered population is controlled. The resident population should be controlled at 22 million for a long time, and the registered population should be controlled at 13 million for a long time. At the beginning of this policy, Beijing will increase some small household registration indicators every year. But in 2014, the policy became more stringent, and Beijing's population policy was reduced to a reduction, which is to reduce the population in Beijing every year. After the "226 speech" of General Secretary Xi Jinping in 2014, Beijing clearly stated that the population "red line" was 23 million.

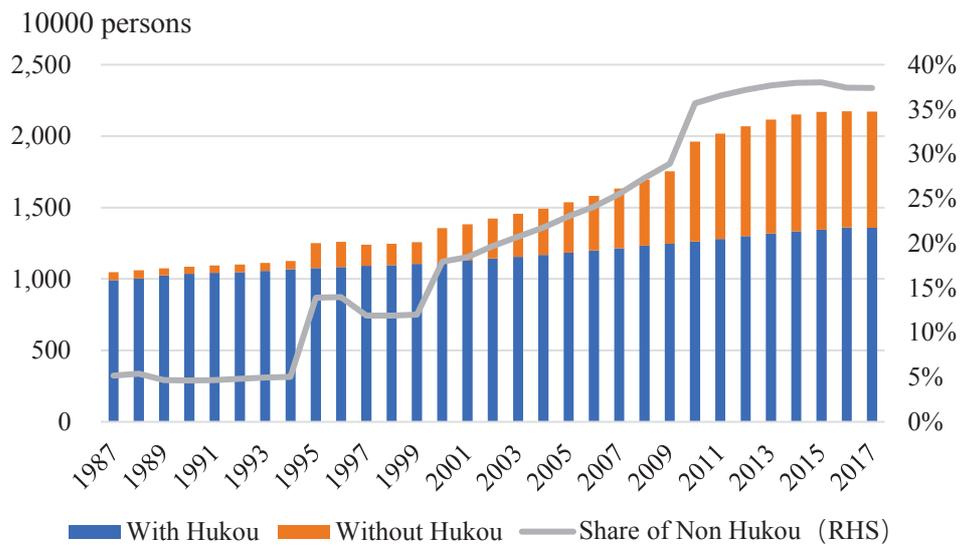


Figure 32 Population in Beijing

Source: Beijing Municipal Bureau of Statistics

In order to implement strict population control, Beijing has divided each district into several parts. Beijing has divided 16 subordinates into four main blocks: Capital functional core area, Urban function development area, Urban development new district, Ecological conservation development zone. The Capital functional core area is a centralized area of the central government and various ministries and commissions. It covers an area of only 93 square kilometers. From 2014 to 2017, the population of this area decreased by 6.4%. The Urban function development area is a slightly outer part of Beijing's core area. It is a large area and is home to major corporate headquarters, universities and research institutes. From 2014 to 2017, the population of this area decreased by 5.1%. The reduced population was largely moved to the more peripheral Urban development new district, where the population increased by 11.2%. In the western and northern parts of Beijing, mainly mountainous areas, it is classified as the Ecological conservation development zone. Despite this, the population here has increased by 5.3%.

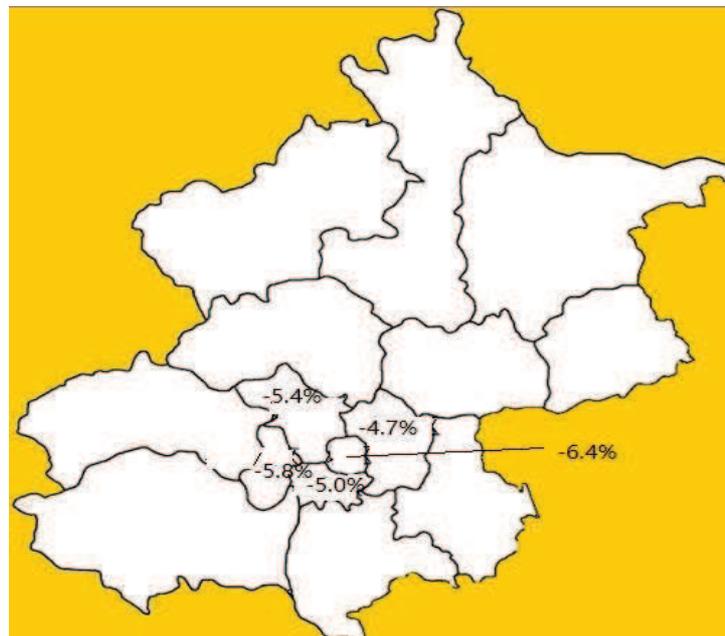


Figure 33 The population change in Beijing core areas

Source: Beijing Municipal Bureau of Statistics

Table 5 The population change in Beijing all areas

District	2014	2017	2014-2017 change
Total	2,151.6	2,170.7	0.9%
Capital functional core area	221.30	207.1	-6.4%

Dongcheng Area	91.10	85.1	-6.6%
Xicheng District	130.20	122	-6.3%
Urban function development area	1,055.00	1,001.70	-5.1%
Chaoyang District	392.20	373.9	-4.7%
Fengtai District	230.00	218.6	-5.0%
Shijingshan District	65.00	61.2	-5.8%
Haidian District	367.80	348	-5.4%
Urban development new district	684.90	761.40	11.2%
Fangshan District	103.60	115.4	11.4%
Tongzhou District	135.60	150.8	11.2%
Shunyi District	100.40	112.8	12.4%
Changping District	190.80	206.3	8.1%
Daxing District	154.50	176.10	14.0%
Ecological conservation development zone	190.40	200.50	5.3%
Mentougou District	30.60	32.2	5.2%
Huairou District	38.10	40.5	6.3%
Pinggu District	42.30	44.8	5.9%
Miyun District	47.80	49	2.5%
Yanqing District	31.60	34	7.6%

Source: Beijing Municipal Bureau of Statistics

Beijing's Mobile Population and Management Policy

- Mobile population in Beijing

In the suburbs of Beijing, more than 60% of the floating population is concentrated, and the floating population is 1.09 million. In the remote suburbs, about 30% of the floating population is concentrated, and the floating population is 670,000. These migrants generally choose to live in urban villages because the rents here are very low. “Village in the city” is a process of urbanization in high-speed urbanization. Some governments adopt urban land development policies that “acquire rural arable land and bypass village residents”, resulting in large-scale occupation of rural arable land in urban fringe areas and villagers still living in rural housing sites. A semi-urbanization or incomplete urbanization phenomenon. A large number of cheap rental houses in the villages of the city have become the first choice for low-income migrants to enter the city. In 2005-2008, in order to welcome the 2008 Beijing Olympic Games, the Beijing Municipal

Government concentrated on renovating the Olympic venues and 171 urban villages within the Fourth Ring Road. At the end of 2009, Beijing re-engineered the renovation of urban villages, and 38 of the 50 key urban villages were located in the central city. The large-scale and continuous renovation of urban villages has resulted in the lack of urban villages in the central urban area of Beijing, which has made it difficult for migrants to find affordable housing within the central city.

- The living conditions of the migrant population

The migrant population mainly lives in the slums of the city and is called the “village in the city” in China. The economy of the villagers in the “village in the city” mainly depends on the following methods: First, the rapid urbanization has made the supply of low-cost leased houses insufficient, prompting the villagers of “villages in the city” to use their homesteads for housing leasing to maintain their livelihood. A large number of simple houses are rented out to the floating population, and the villagers benefit from the rental. Second, the villagers obtained collective income from the joint development and cooperation of real estate by renting land and building warehouses. Due to the lack of relevant policies and legal guarantees for collective industrial land, corporate assets often fail to confirm the property rights of the houses. The unstable investment environment leads to the inability to attract high-end industries, but to gather low-end small enterprises. At the same time a large number of foreigners live, a series of service industries are deriving and developing. The houses on both sides of the street are used to open supermarkets, food, food, hairdressing, etc., forming a small and large-scale service industry. To a certain extent, the “village in the city” has formed a self-sufficient, low-consumption economic chain and a living circle. At the same time, the “village in the city”, which is located at the junction of urban and rural areas, has always been a key and difficult area for government management. Internet cafes, hotels, clinics and intermediaries operating illegally and without licenses have been repeatedly banned.

The infrastructure in the “village in the city” has not been incorporated into the municipal municipality, and pipelines such as water supply and drainage pipelines, heating and gas have not yet been fully popularized. Insufficient power,

network, and cable laying, the phenomenon of private connections is widespread, and security risks are serious. Due to the large population, garbage dumps and public toilets often fail to meet the demand. The garbage in the village can be seen everywhere, and the sanitation environment is worrying. The educational resources of kindergartens, primary and secondary schools, etc. in the “village in the city” are mainly for the children of migrants.

Compared with the urban area, its educational resources are seriously insufficient. On the one hand, it has less hardware resources and poor environment, on the other hand, it has a great gap in teacher quality. As far as the number of kindergartens is concerned, 58.6% of the villages in the city do not have kindergartens. In the villages with kindergartens, most of them have only one or two kindergartens. The relative population demand of “villages in the city” is obviously a serious deficiency. According to statistics, less than 20% of the villages have schools in them, and the number of primary schools is extremely scarce. In addition, due to policy restrictions, some migrant children cannot meet the admission policies of local public primary schools, and only private schools can be selected. Due to economic conditions and other restrictions, the school environment is poor, the equipment is not suitable for soft and hard conditions, and the mobility of teachers is strong. Usually, the development of these private schools is not optimistic.

Table 6 The social stratification among the migrant population in Beijing

	2011	2012	2013	2014	2015
State and social managerial hierarchy	1.10%	0.90%	0.70%	1.50%	1.30%
Professional and technical staff	14.90%	12.20%	11.30%	15.50%	15.60%
Staff and related personnel	7.80%	3.00%	2.10%	3.20%	3.90%
Business service staff	57.50%	69.60%	69.60%	67.10%	64.00%
Industrial worker class	13.20%	11.80%	13.40%	10.50%	10.90%
Peasant class	1.60%	0.50%	1.00%	0.50%	0.50%
No fixed occupation	0.70%	0.70%	0.90%	0.90%	0.80%
Other inconvenient classification practitioners	3.30%	1.30%	0.80%	0.80%	3.10%

Source: Beijing Municipal Bureau of Statistics

Among the floating population in Beijing, 60% to 70% belong to the low-end service population, and only 15% belong to professionals with professional skills.

These people in the low-end service industry can only live in rural areas of the city without public safety and social welfare.

- For the evacuation and expulsion of the migrant population

In recent years, Beijing has adopted strict driving measures for the floating population engaged in the low-end service industry. Beijing realizes that the best way to evacuate and drive out these immigrants is the accommodation and industrial environment in which these people depend. Therefore, Beijing began the urban transformation plan: the removal of illegal villages in the city and the evacuation and relocation of low-end industries. When these cheap villages were demolished, the immigrants could not afford the high cost of renting the city, so they could only choose to leave. The Beijing Xihongmen incident at the end of 2017 is the best portrayal of this situation.

- Beijing Xihongmen Incident

On the evening of November 18, 2017, a major fire broke out in a village in Xihongmen Town, Daxing District, Beijing, killing 19 people and injuring 8 others. This urban fire incident was characterized as a “particularly major disaster event”, which has aroused widespread concern among national public opinion. With the opportunity of this opportunity, the Beijing Municipal Government carried out a special campaign for the 40-day security hazard investigation and large-scale clean-up rectification throughout the city. The original urban building safety hazard investigation work was quickly transformed into the demolition and relocation of illegal buildings: the direct means adopted was the water cutoff. A large number of migrants cannot continue to live in the original simple houses and can only move and leave. This simple and ruthless persecution has also brought extensive condemnation of national public opinion. The article on the Internet about "Beijing drives the low-end population" has spread rapidly. This made the Beijing Municipal Government only change the original measures and issued a statement clarifying that Beijing is only conducting safety hazard investigations and has not driven the low-end population. The media of the central government

also sent an article criticizing the Beijing Municipal Government: soft measures should be adopted when conducting population evacuation.

Shenzhen

City Development

Shenzhen is a brand new city with a city history of only 40 years. In 1978, it was just a small fishing village close to Hong Kong. The establishment and development of Shenzhen is in line with the pace of China's reform and opening up. It is precisely because Shenzhen is close to Hong Kong that it has naturally become an important area after the reform and opening up. Because Hong Kong's investment will naturally enter Hong Kong.

In July 1979, the Central Committee approved two reports of the Guangdong Provincial Party Committee and the Fujian Provincial Committee on foreign economic activities and flexible measures, and decided to test the special zones in Shenzhen, Zhuhai, Shantou and Xiamen. In August 1980, the 15th meeting of the Standing Committee of the National People's Congress passed the "Regulations on Special Economic Zones in Guangdong Province", which marked the official birth of special economic zones such as Shenzhen.

In 1979, the company took the lead in building the Shekou Industrial Zone. In 1980, it began construction of large-scale urban infrastructure, developed Luohu and Shangbu District, and built ports such as Shekou, Chiwan, Dongjiaotou and Mawan; developed and built a number of industrial zones, and introduced a batch of With foreign capital and advanced technology, industry began to take shape; the construction of eight major cultural facilities such as Shenzhen University and the library, the cultural undertakings began to take shape; formulated urban planning and economic and social development master plans, improved the SAR management system, and formulated relevant supporting regulations. Second, the market-oriented, capital construction management system and price system reform as a breakthrough, the first in the country in the wage system (1979), infrastructure system (1980), labor system (1980). In 1984, Deng Xiaoping inspected the

Shenzhen Special Economic Zone. He pointed out that the special economic zone is a “technical window, a window of management, a window of knowledge, and a window for opening to the outside world”. “The development and experience of Shenzhen prove that our policy of establishing a special economic zone is correct.”

After only 40 years of development, Shenzhen has become China's fourth largest city! Second only to Beijing, Shanghai and Guangzhou. With the rapid development of these years, the development of Shenzhen has even surpassed the traditional big city - Guangzhou.

We can see that as early as 2000, the entire area of Shenzhen has been covered by lights, which means that all areas of Shenzhen have been highly industrialized. By 2012, the brightness and intensity of this industrial coverage has been further enhanced. It should be said that Shenzhen is one of the most industrialized cities in China.



Figure 34 Light map in Shenzhen 2000(left) and 2010(right)

Source: National Oceanic and Atmospheric Administration of USA

With the improvement of industrialization level, Shenzhen has also attracted a large number of migrants. Migrants have brought about the economic vitality of Shenzhen, but also brought serious social problems and urban governance problems. Because most of them do not qualify for local public welfare.

Migration and Hukou

The number of people entering Shenzhen has increased rapidly. In 1979, Shenzhen still had only 314,000 people. By the year 2000, Shenzhen had a resident population of 7.012 million. By the end of 2016, the population living and living in Shenzhen for a long time has reached 12.528 million, of which only 4.347 million

have registered in Shenzhen, accounting for 65% of the total. The remaining 8.18 million people do not have a hukou in Shenzhen, which means that they are not really "Shenzhen citizens" and can not enjoy the public welfare of Shenzhen, although they live in Shenzhen for a long time.

The population growth in Shenzhen is a very prominent phenomenon in the process of urbanization in China. Although Shenzhen's urban space and land space are much smaller than those of Shanghai, Beijing and Guangzhou, the number of migrants exceeds these cities, and it is the highest in the country. The reason for Shenzhen itself is that Shenzhen has the following two conditions to attract migrants:

1. Industrial structure. Shenzhen has taken the lead in the rise of the "three to one supplement" industry, attracting a large number of migrants. In the 1980s and 1990s, various towns and villages in Shenzhen, including some state-owned enterprises, invested in "three to one supplement" factory dormitory, which can accommodate more than 200,000 migrant workers. Later, on the basis of this "three to one supplement" industry, a group of others have grown up to engage in processing and processing. Many private individual business owners, feed processing, supporting large enterprises. This has led to the growth of a number of private processing enterprises, increasing the capacity of more than 200,000 workers. The processing industry has a population of 400-500,000 people.

2. Living conditions. In the course of development, Shenzhen provided land for the former Shenzhen villagers to build their own houses. This is the origin of the "villages in the city". The local people who have become rich through the development of the original villagers in Shenzhen did not use his first barrel of gold to engage in the industry. The original villagers in Shenzhen used the first bucket of gold to build a house for rent, forming a huge urban village. The village in the city provides a huge and cheap place for the migrants. Shenzhen Villages in the cities has a rental of 2.7 million m², and it is enough to accommodate more than 1.2 million migrants. It should be said that Shenzhen Village has made great contributions to the development of Shenzhen's economy and reduced the low-rent housing services that the government needs to provide during the rapid development of Shenzhen's cities. However, Shenzhen Village has also left many

problems in its development, which has brought about population expansion and growth of derivative industries. The shackles of a large number of laborers in Shenzhen objectively stimulated the enthusiasm of the local residents of Shenzhen to build rental houses indiscriminately, and even ventured to build a large number of illegal buildings. In the history of Shenzhen, there were four urban construction rushing constructions, which were in 1989, 1992-1993, 1999-2002 and 2003. In 2004 alone, the illegal construction area of Baoan District in Shenzhen was over 1.7 million m². Square meters. So far, the total cost of private housing in the city's urban villages has reached more than 100 billion yuan, and the annual rental income is more than 30 billion yuan.

From the table below, we can see that the proportion of non-resident population in Shenzhen to the total resident population rose rapidly after 1979, reaching a peak of 82% by around 2000, which means that four-fifths of the population living in Shenzhen can not enjoy local social welfare. With the advancement of the household registration system reform in Shenzhen, this proportion has gradually declined, but by 2016 this proportion is still as high as 65%. It can be said that this ratio is currently the highest among the national cities. Because Shenzhen itself is an immigrant city, it is just the best sample to study the reform of the household registration system and the Chinese regional immigration.

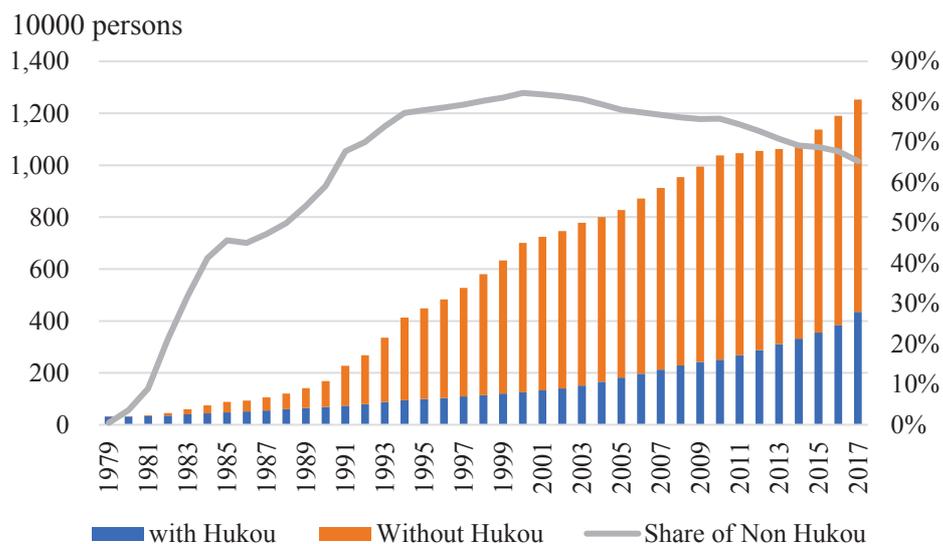


Figure 35 Population in Shenzhen

Source: Shenzhen Municipal Bureau of Statistics

In addition to the resident population of Shenzhen, Shenzhen also has a large floating population. These people do not live in Shenzhen all the year round, like migrant workers, who will move around the city with job opportunities. The proportion of this part of the population is also quite high. Here we need to use a concept - the population base.

Shenzhen's population base refers to the population actually managed in Shenzhen. The population actually managed by a city, including 3 people: 1 household registration population; 2 non-hukou but long-term residence (more than half a year) population; 3 floating population, this population non-domestic non-permanent residence is flowing every day. The above three populations consume the resources of the city every day and are the actual population managed by Shenzhen.

What is the situation of Shenzhen's 12 million migrants? From the state of employment, the huge Shenzhen migrant population is mainly concentrated in two areas: First, the traditional industry, especially the processing industry, reaching 500,000 people. The pillar industry in Shenzhen does not have a large number of employed people, only 1.3 million people, and the main part is the registered population. The second is the population of various derivative industries living in the village. Including the unlicensed and unlicensed shops in the village, the mobile traders and the unemployed in the gray industry, reaching more than 200,000 people. From the perspective of age structure, the proportion of younger migrants in Shenzhen is the highest in the country. Among the migrant population in Shenzhen, the young and middle-aged population aged 16 to 44 accounted for 93%, and the youth population aged 16 to 34 accounted for 78%. This foreign population structure is a typical mobile population, indicating that Shenzhen is still away from civil society.

City Problems and Transition

Shenzhen's fiscal deficit has risen

The first is the issue of fiscal revenue and expenditure. Before 2014, Shenzhen's fiscal revenues and expenditures were almost balanced. Since 2015,

Shenzhen's fiscal expenditure has rapidly exceeded fiscal revenue. This is because the rapid rise in real estate prices in Shenzhen has led to an increase in the income of the Shenzhen government. Increased land sales revenue can fill the rising fiscal deficit. However, the vast majority of Shenzhen's expenditures are spent on infrastructure and transportation. Public welfare expenditures (such as education, health care, culture, and science) account for only one-third of Shenzhen's fiscal expenditure. As the trend of rising house prices is further controlled, Shenzhen's fiscal revenue will fall sharply, but the rigidity of fiscal expenditure has long existed. This will make Shenzhen's fiscal deficit appear to expand.

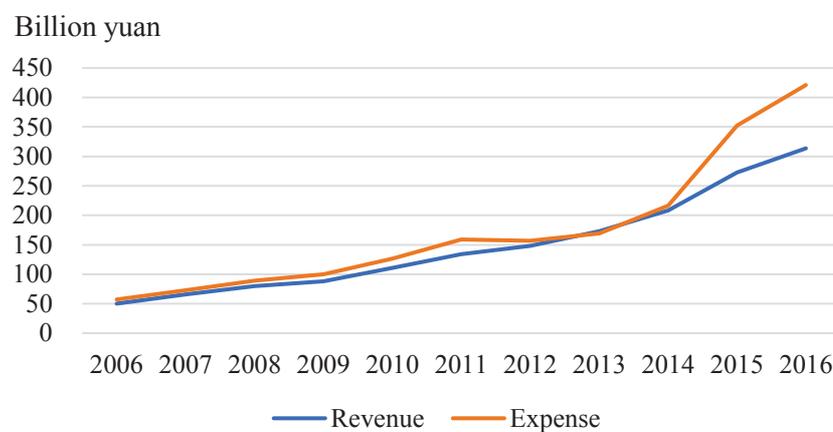


Figure 36 Shenzhen Budget Revenue and Expense over The Year

Source: Shenzhen Finance Bureau

House prices have risen unbelievably.

Due to the existence of a large number of illegal buildings built by farmers, Shenzhen's housing supply was once sufficient. This also makes Shenzhen's housing prices relatively low compared to other regions. Since 2014, Shenzhen's housing prices have started to rise wildly. The price of second-hand housing in Shenzhen rose 1.5 times in 2014, from 20,000 yuan per square meter to 30,000 square meters, which doubled in 2015 and jumped directly from 30,000 to 60,000. This makes Shenzhen's housing prices the third-highest price in the country after Beijing and Shanghai.

High housing costs have severely weakened Shenzhen's competitiveness. Young people can't afford housing, and companies can't afford the high rental costs caused by rising prices. Therefore, young people choose to flee from Shenzhen.

Huawei's manufacturing base has also moved from Shenzhen to Dongguan, another city in the same province. The same story also happened in the coastal city of Xiamen. The high housing prices in Xiamen forced university graduates to leave Xiamen, although Xiamen University is one of the best universities in the country. Cities that cannot retain talents because of high housing prices will gradually lack the core competitiveness of the city.

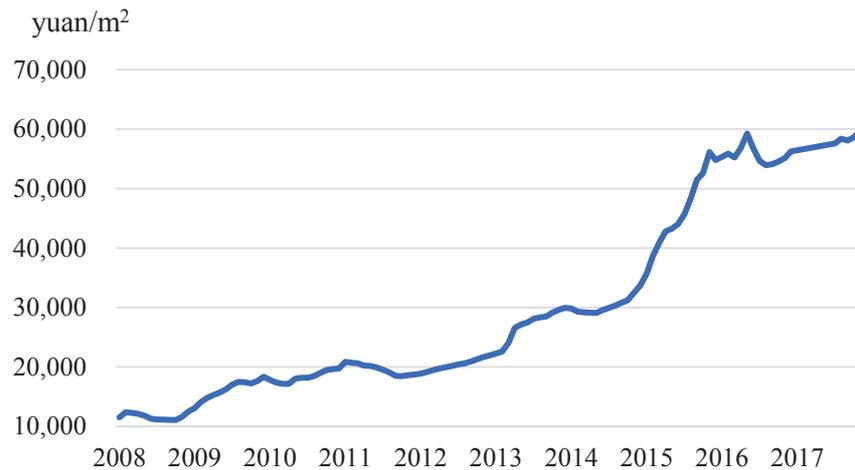


Figure 37 Housing Price in Shenzhen

Source: Shenzhen Municipal Bureau of Statistics

The main actions of Shenzhen's household registration system reform.

Before 2000, the proportion of registered permanent residents in Shenzhen continued to shrink. After 2000, the proportion of registered households showed a gradual expansion. In other words, the household registration system has not become an obstacle to Shenzhen's population growth and immigration. In the case that all major cities are tightening household quotas and strictly restricting settlement, Shenzhen has implemented a relatively loose household registration policy against the trend. In 2003, Shenzhen took the lead in implementing the hukou system in the country, allowing citizens to link their hukou to their relatives and friends. The “Shenzhen Opinions on Strengthening and Perfecting Population Management Work” and five supporting documents promulgated in 2005 constitute the first systematic and complete population management policy system in Shenzhen for more than 30 years, and explicitly mentioned the need to steadily expand the population size. In the next 10 years, Shenzhen's population

management played an important role. The formal implementation of the residence permit system in 2008 laid the foundation for the post-entry credit system. In the same year, "Several Opinions of the Shenzhen Municipal Committee of the Communist Party of China and the Shenzhen Municipal People's Government on Accelerating the Construction of a Modern Industrial System to Promote Industrial Transfer and Labor Transfer" clearly proposed to strengthen and improve the population control mechanism, reduce population pressure, and promote economy and population, resources, and the environment. In 2008, the permanent population was all non-agricultural population, and it was the first to achieve 100% urbanization in the country.

In 2010, Shenzhen City issued the "Shenzhen City Foreign Workers' Point-to-Home Trial Procedures"³⁸. And in 2012, it officially implemented the points-based household registration system. This is an institutional improvement measure that relies on the existing household registration system and has a marginal breakthrough. The current reform of the points system makes the household registration system an important policy tool for urban administrators to implement urban planning. Under the condition of the points system, the household registration system is further strengthened as a tool for social governance intermediary. By setting the "screening" and "guiding" indicators in the point system, the city governor can clearly implement the governance intention. On the one hand, according to the urban carrying capacity, the threshold is set to prevent the influx of excessive population. On the other hand, the household population is guided. Settled areas and employment industries to make choices in line with urban planning. Compared with other cities' points system, Shenzhen's most distinctive feature in the design of the points system is its easing of extra points and the diversity of points. Among them, taxpaying, invention patents, competitions and other screening indicators are the most abundant and meticulous; the combination of academic qualifications and vocational skills, of which the junior college workers can get 20 points, doctoral degree (master's degree) technical qualifications can earn 100 points; very specific indicators are also set for tax

³⁸ The point system means that counts the points on one's performance, if he or she reached certain points, then he or she could get the Household registration permission in the city.

investment, and invention and patent indicators can be accumulated, with an upper limit of 50 points.

Shenzhen's residence permit system.

On October 21, 2015, the 109th executive meeting of the State Council passed the “Provisional Regulations on Residence Permit”, which was implemented on January 1, 2016, marking the official implementation of the residence permit system in China. The residence permit system is an important measure to better promote the urbanization of agricultural transfer population under the background of rapid urbanization in China.

The current Interim Regulations on Residence Permit includes 32 articles, mainly on how to apply for a residence permit, the conditions for application, the materials required for the application, the relevant obligations of the government and various departments, the rights that the holder can enjoy. The conditions for the holder of the card to apply for residence registration in the place of residence have been clearly defined. The willingness of a floating population to apply for a residence permit depends mainly on the benefits of holding a residence permit. Article 12 of the Provisional Regulations on Residence Permits stipulates that the holder of a residence permit shall enjoy labor and employment in accordance with the law, participate in social insurance, and the right to deposit, withdraw and use the housing provident fund. The government at the county level or above and relevant departments shall provide 6 basic public services; At the same time, the residence permit holder enjoys 7 facilities at the place of residence.

The residence permit system is a welfare improvement for the agricultural transfer population, but its scope of benefits is still limited to basic welfare and convenience of life. For example, the compulsory education of children is the right that every citizen deserves. It has only improved the government's functions of providing public goods and services, and there are still no breakthrough improvements in the core interests of affordable housing, participation in college entrance examinations and social insurance. The threshold for the conversion of residence permit in Shenzhen is still very high, and most of the agricultural transfer population is still excluded. Excessive entry barriers still exclude most of the

foreign agricultural transfer population from urban household registration, and it is difficult to fundamentally solve the social injustice caused by institutional problems.

Shenzhen's mobile population management.

Under the pattern of dual differentiation within the city, the floating population is always free and rootless, and they cannot truly integrate into the order of urban society. The problem of citizenization is not solved, and the governance system is just a delicate cage for controlling the floating population.

In the face of a large foreign population group and increasingly complicated public security problems, the police force based on the number of registered households is seriously inadequate. Only a large number of external police officers can be recruited. More than this team is the economic development of the villages. A security team formed spontaneously to protect property security and village order.

More urgent than the law and order issue is how to control the population size and avoid the urban management pressure brought about by the influx of floating population. When the floating population enters Shenzhen, it needs to apply for temporary residence permit, border defense certificate, migrant work permit, family planning certificate and other documents, and collect temporary resident management fee (increasing fee) and various documents, including labor temporary resident management fee. Up to 300 yuan a year, in the 1990s, this cost is equivalent to a monthly salary of a foreign general worker. If it is not costly due to high cost and cumbersome procedures, it will face the risk of being contained, deported, and punished. This approach has indeed increased the cost of migrants entering the city, but to what extent it has played a role in guiding the orderly flow of migrant workers and controlling the size of the population. What is certain is that this kind of management and control has led to the rent-seeking tendency of relevant agencies. For example, migrant workers must pay an increasing fee each year after applying for a temporary residence permit. Since the public security, labor, personnel, family planning and other departments can draw income from the increasing population, the cost of migration is still high.

In 2003, a vicious case occurred in Guangzhou³⁹. On the evening of March 17, 2003, a young man named Sun Zhigang, who worked for a company in Guangzhou, was sent to the "three nos"⁴⁰ personnel in Guangzhou due to the lack of temporary residence permit on the way to the Internet café. The next day, Sun Zhigang was taken to a shelter for treatment at the shelter. Here, Sun Zhigang was brutally beaten by staff and other shelters and died at the rescue station on March 20. This incident was called "Sun Zhigang Incident". After the incident of Sun Zhigang in Guangzhou in March 2003, the system of detention and repatriation was abolished in June of the same year. The temporary residence permit lost its coercive power, and the majority of the floating population groups no longer have to worry about being admitted because they did not apply for a permit.

The Sun Zhigang incident also had an impact on the ranks of the auxiliary police and security guards. The public security joint defense organization was vigorously rectified, and its enforcement authority was strictly restricted. The temporary staff of the police station were all cut overnight. However, it is accompanied by a severe security situation in the latter half of the year. In view of this, the Shenzhen Municipal Law Committee took the lead in re-integrating the housing rental management office responsible for the registration and management of housing lease contracts with the temporary resident population management team, and established the "Community Grid Management Office" at the city and district level. At the level of towns, villages, and neighborhood committees, the corresponding comprehensive administrators are also set up. The main task of the integrated administrator is to go deep into the renting of thousands of households in the building, collect information on population, family planning and other aspects to prevent hidden dangers in public security and fire protection. However, the contracts by the landlord and the floating population also went through a process in which the legitimacy of their work was not recognized.

As the corresponding comprehensive administrators increasingly penetrated into the urban village community, their teams have grown and their business scope

³⁹ Guangzhou is the capital of Guangzhou province, very close to Shenzhen.

⁴⁰ "Three nos" refers to citizens who are adopted by the civil affairs department and have no means of living, no ability to work, unable to set a maintenance obligor or a legal support obligation to lose their ability to work and are unable to support.

has gradually expanded. For example, by 2017, there will be more than 10,000 people in Shenzhen Baoan's comprehensive management team, responsible for information collection in more than a dozen departments including public security, comprehensive management, fire prevention, family planning, urban management, safety supervision, and labor. The types of information collection and reporting involve 165 items. With the development of network technology, grid management has been implemented in various districts. Information collection and reporting, business distribution, law enforcement feedback, and departmental communication have all been carried out through specialized APP and WeChat groups.

The current floating population management in Shenzhen mainly reflects the following characteristics:

The first is integration. First of all, the content of the management of the floating population is rich, far beyond the scope of public security; secondly, the ability to collaborate between departments has been greatly improved. The management department is responsible for the collection of various information, while the public security, urban management and other departments handle business and handle problems according to the information in the system.

The second is gridding. The public security, fire protection, family planning, urban management, and labor are all divided into large and small grids according to the number of personnel.

The third is refinement. On the one hand, grid division, information collection, internal division, and division of labor are becoming more and more elaborate; on the other hand, grid workers are increasingly involved in the life of migrant populations, and they are getting more and more detailed. Cases, labor disputes, small to the inside of the rental housing, the location of the kitchen and so on, must be involved in management.

The fourth is semi-standardized. At present, the enforcement of various departments must follow specific regulations and procedures in form. But the norms of law enforcement are only relative to the past. Most of the time, the enforcement of grassroots communities needs to be modified.

The fifth is technicalization. The business management of each department is linked through a unified APP. The grid staff uploads the patrol problems, and the

relevant departments accept the tasks through the APP, and then upload the processing after completing the tasks. Even the track of the grid's daily movements inside and outside the grid can be monitored by the APP. In addition, monitoring equipment is installed in rental houses and public places. It is the development of information and monitoring technology that enables the management of floating populations to be incorporated into systems and sophisticated governance networks.

Shenzhen Baoan District Digital City Management System

Shenzhen is one of the first 10 pilot cities for digital city management in China. The digital urban management system divides 1953 square kilometers of land in Shenzhen into 8726 element grids, and encodes 14 grids for each grid. For the city's municipal management public areas, including public facilities and road traffic. Municipal engineering facilities and municipal public facilities such as city appearance, landscaping, housing and land, etc., conduct a comprehensive survey, identify the geographical location, physical attributes and management responsibility units of each component, perform photo archiving. On the basis of comprehensive and accurate census, the component database is established for classification management, and the urban management content is embodied, digitized and refined through geocoding technology.

The digital city management system in Bao'an District was put into trial operation in July 2007. Bao'an District is located in the western part of Shenzhen City. It has 10 border offices and 205 community neighborhood committees. The resident population is 5.31 million, and the number of registered households is 400,000.

On the basis of the original digital urban management system, Baoan District Urban Management Bureau developed the “three first” business system of smart city management. The first time to find the problem, the first time to deal with the problem, the first time to solve the problem, and the on-line “City Management Link+” mobile APP.

Baoan District Urban Management Assessment and Command Center is the backbone of Baoan Smart City Management. The command center adheres to the

concept of “Smart + Responsibility + Technology” and builds on the core concept of “big collection, large disposal, big evaluation, great wisdom”, and has built Baoan characteristics. A set of smart city management standards, a city management and control sub-center, a large urban management database, six application systems, and the establishment of N docking and intercommunication” of the “1+1+1+6+N” smart urban management new model.

The Baoan District Urban Management Assessment and Command Center uses the “City Management Link+” and other smart city management integrated application systems to set the work grid, track playback, combined trajectory calculation model, monitor attendance coverage, develop schedules, and GPS, GPRS and inspect the APP and other methods to achieve a full range of smart applications such as collection, integration, collaboration, management and analysis. “Moving” can track and monitor the working conditions of personnel and vehicles, and realize full-time work control; “Quiet” analyzes and evaluates the real-time data generated by the whole city management system and the whole industry. At the same time, the sanitation management information subsystem, the landscaping management information subsystem, the forest fire management subsystem, the park information management subsystem and the law enforcement application equipment are all integrated. The multi-functionalization of drones and the outsourcing assessment of various fields involved in urban management such as sanitation, street lighting, car management, and gardening, and effective supervision and operation of all aspects of urban management. With information technology, the city provides public services that are all-weather, seamless, convenient, and user-friendly.



Shaoxing

Shaoxing is located in the province with the most developed private economy in China, Zhejiang Province. This coastal city has long relied on the industrial pattern of foreign trade exports, of which the textile industry accounts for 70%. Since 2000, Shaoxing's economy has developed rapidly. From the light map, we can see that in 2000 only some areas of northwestern Shaoxing showed significant brightness, and in 2012, the brightness of this area expanded rapidly. Therefore, Shaoxing City is actually the epitome of most eastern cities in China: in addition to the strong first-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen, the vast second and third-tier cities have experienced rapid development in these ten years.

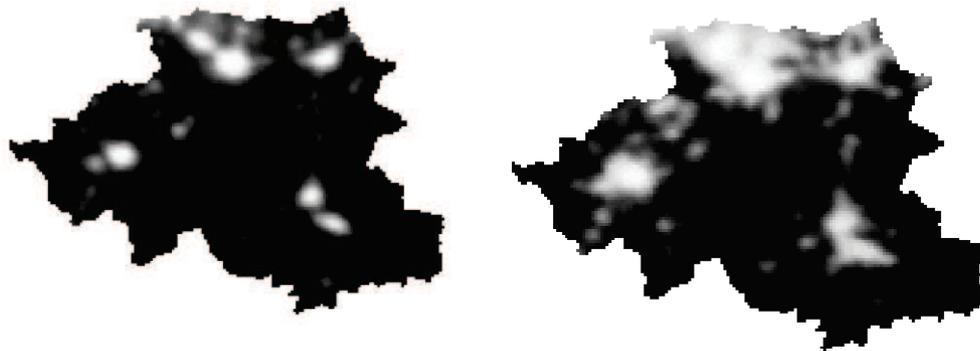


Figure 38 Light map in Shaoxing 2000(left) and 2010(right)

Source: National Oceanic and Atmospheric Administration of USA

Shaoxing's fiscal revenue is also relatively sufficient, because the industrial enterprises here have paid a lot of taxes. As a representative of the medium-sized cities along the eastern coast, Shaoxing's fiscal revenues and expenditures can basically be balanced. This is also an important feature of the eastern coastal cities. The inflow of migrants has created a lot of profits for enterprises and provided sufficient tax revenue for the government.

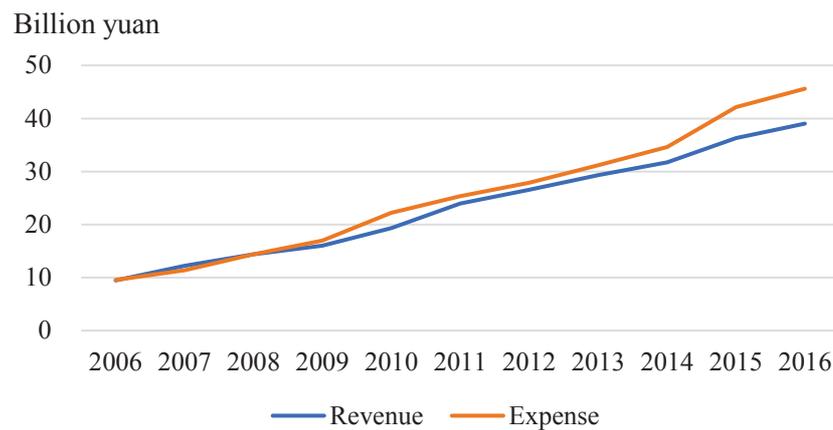


Figure 39 Shaoxing Budget Revenue and Expense over The Year

Source: Shaoxing Finance Bureau

Immigrant Population Inflow and Management

Shaoxing's market is prosperous, the economy is developed, the people are rich, and population mobility and agglomeration are natural and normal economic and social life phenomena. The growth of the floating population has been particularly evident in recent years. The data shows that in 2000, the registered temporary population of Shaoxing City was 264,000, reaching 1.424 million by 2010. The total floating population increased by 439% in 10 years; this growth trend is still continuing. In 2011, the floating population of Shaoxing was 1.823 million. In 2012, it reached 1.92 million, and the ratio of the number of floating population to the local resident population was as high as 2:5. Among the 10 townships (streets) such as Zhuji Datang, and 203 villages (communities) such as Waishan Village in Chengnan Street of Yuecheng District, the floating population has exceeded the registered population, and there is a phenomenon of population inversion.

According to the situation in Shaoxing, these migrants are mainly from Provinces of Sichuan, Anhui, Guizhou, followed by Jiangxi, Henan, Hubei, and Henan, and again the surrounding counties (cities) of Shaoxing and other places in Zhejiang Province.

The proportion of men and young people in the floating population is high. Among the floating population who go out to make a living, the working-age

population is generally 80% or even 90%, and is based on a male population with certain physical strength and skills. Judging from the outflow situation, most of the outflowing populations are those with higher local cultural quality, although they are still regarded as “wage earners” and “countrymen” in the inflow areas. Judging from the situation in Shaoxing County, the vast majority of the migrant population comes from poverty-stricken areas in other provinces, and there are many people who are dragging their families.

The types of migrants living in the inflow areas can be generally divided into residential rental housing, corporate dormitory, temporary construction shed, hotel guest house, water vessel, bazaar, station terminal and so on.

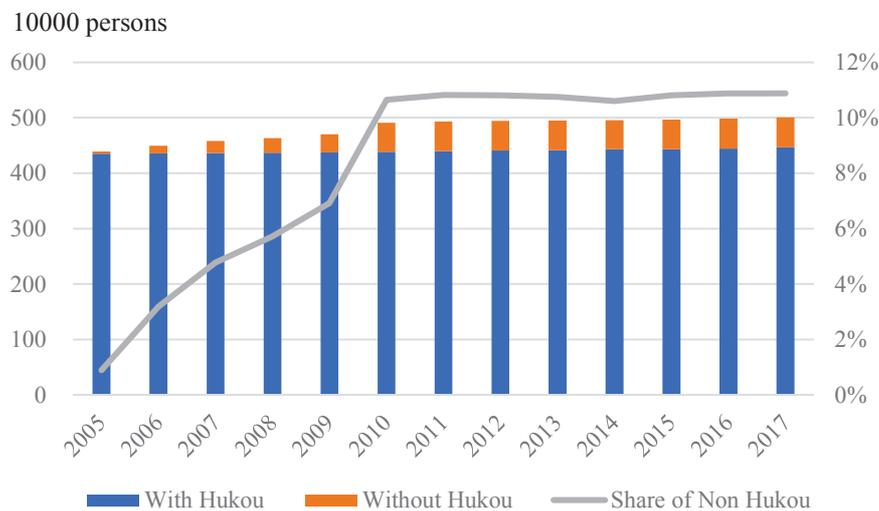


Figure 40 Population in Shaoxing

Source: Shaoxing Municipal Bureau of Statistics

Management of the floating population.

In the mid-1990s, in the face of a series of urban problems such as population increase, resource shortage, and severe security caused by the relatively laissez-faire floating population management model, China began to adjust its policies and adopted a management method for controlling population. In 1995, the State Council extended the scope of application of the “Measures for the Relocation and Repatriation of Urban Vagrants and Beggars” to “Three No Persons”; in the same year, the Central Comprehensive Management Committee issued the “Opinions on Strengthening the Management of Floating Population”

and proposed “to address the issue of floating population”. According to the guidelines put forward by the central government, major cities have introduced many restrictive policies in terms of migrant workers' industry access and children's schooling, and have increased the detention and repatriation of the city's “three no-persons”. The Ministry of Civil Affairs and the Ministry of Public Security also jointly issued a document to further strengthen the detention and repatriation work, so that the system of detention and repatriation has evolved from the means originally used to maintain the image of the city and guarantee the order of normal production and life in the city to measures to restrict the flow of foreign population. At this stage, Shaoxing City earlier innovated the comprehensive management model of floating population, established a migration population management leading group composed of public security, labor, family planning, finance, education and other departments, and transferred the leading group office from public security to comprehensive in 1998. The governance committee is responsible for organizing and coordinating the service management of the migrant population in the city.

The anti-regulatory model has produced many drawbacks, especially the incident of Sun Zhigang alarming the top government. In August 2003, the State Council abolished the 21-year detention and repatriation system. In 2006, the State Council executive meeting passed the "Several Opinions on Solving the Problem of Migrant Workers", which is the most complete and relevant file of the government's protection of migrant workers' economic, social and political rights since the founding of New China. In 2007, the Central Comprehensive Management Committee issued the "Opinions on Further Strengthening the Service and Management of Floating Population", proposing that the floating population should be treated fairly in accordance with the principle of "fair treatment, good service, reasonable guidance, and sound management". In 2010, the “Twelfth Five-Year Plan” clearly stated that it is necessary to pay attention to the issue of protecting the rights and interests of migrants in the system. In 2012, the 18th National Congress further proposed to “improve and innovate the management of floating population services”.

At this stage, Shaoxing City has incorporated the work of managing the floating population into the planning of local national economic and social development. When formulating public policies and building infrastructure, it has taken into account the public service needs of the floating population. The family model of “township management” and the integration model established a typical example of a fusion management of floating population across the country.

In the management and service of floating population, it is the mainstay of the family card to promote the management of the floating population. However, it has not jumped out of the "government package", and has not touched the deep-seated reasons of the current social problems of the floating population. There are still many problems with management services. First, the difficulty of social management has increased. Take rental housing management as an example. In 2012, 76.2% of the floating population in Shaoxing lived in rental housing, and only 17.4% lived in the enterprise dormitory. The huge market demand has led to the rapid formation of the housing leasing industry, which has led to repeated violations of regulations and illegal rentals. Safety, health and fire hazards are prominent. In addition, some mobile population gathering places, black car operations, manufacturing of counterfeit and shoddy goods, illegal medical practice, unlicensed business and other issues frequently occur, the environment is dirty and messy, difficult to rectify. The phenomenon of illegal bribery is very important. Once a floating population has a dispute, it tends to adopt a "private" or "violent" approach. According to statistics, 6.9% of migrant workers in Shaoxing still prefer to use “find the fellowship” to resolve conflicts. This means that nearly 100,000 migrants in Shaoxing have the potential to use irregular channels to resolve conflicts.

In recent years, the positive transformation of urban governance in Shaoxing has provided more convenience to the welfare of the floating population. In terms of employment services, the implementation of the employment policy of the floating population and local residents, the city's public employment service agencies provide free policy advice, employment information, job introduction, employment assistance and other services to the floating population. In terms of

children's education, Shaoxing allowed children from outsiders to go to school, and achieved a “low threshold” and “zero lost school”. In 2014, the number of migrant children in compulsory education schools in the city reached 106,000. In October 2010, the “Administrative Measures for Public Rental Housing in Shaoxing City” was issued, and it is clear that the floating population who meets the relevant conditions can apply for public rental housing. In terms of social security, the city focus on improving the coverage of migrants to participate in social insurance by implementing the “three-risk” collection model for social insurance. In terms of medical and health care, the free service is zero-minded, the zero penalty for the treatment of the citizens, and the zero discount for special services. The goal is to optimize the publicity and education of the floating population and the management of services.

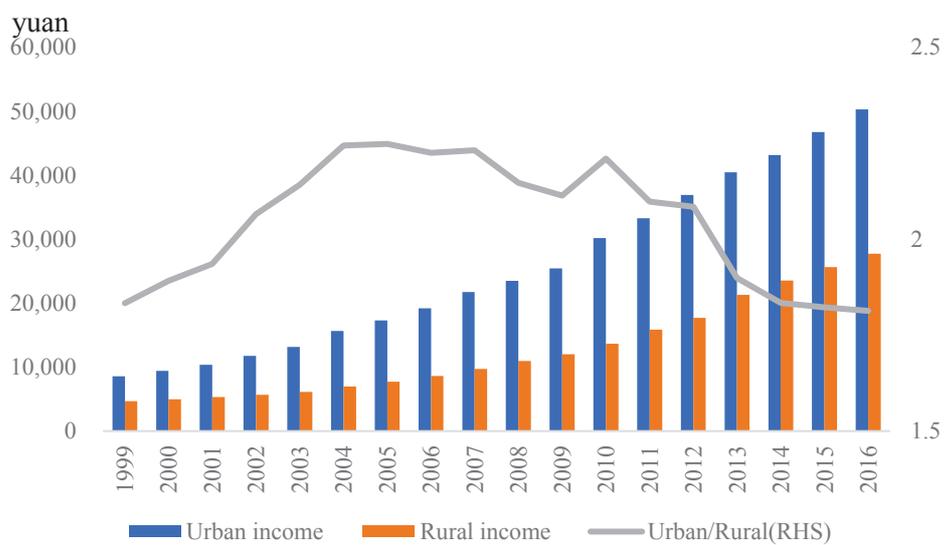


Figure 41 Disposable Income per capita in Shaoxing

Source: Shaoxing Municipal Bureau of Statistics

Household Registration Reform Has been Greatly Promoted

In 2016, China’s central government issued a guidance document that aims to ensure that 100 million migrant workers in cities receive urban household

registration by 2020.⁴¹ This initiative has greatly advanced the reform of the household registration system. The specific content is:

1. Fully open the restrictions on the settlement of large and key groups. Except for a very small number of megacities, the conditions for the settlement of agricultural transfer population have been relaxed.

2. Adjust and improve the settlement policies for megacities and megacities. Large cities and megacities should be divided into major urban areas, suburbs, new districts and other areas based on legally stable employment and legally stable residences (including leases), participation in urban social insurance years, and continuous residence years.

3. Adjust and improve the settlement policies for large and medium-sized cities. Large and medium-sized cities are not allowed to set up settlement restrictions by purchasing houses, investing and taxes paying, etc. Cities with a permanent population of less than 3 million in urban areas may not adopt points settlement methods.

Under the guidance of this document, Shaoxing's household registration system has also begun to collapse. The breakthrough is that Shaoxing has liberalized the conditions for the settlement of high-level talents, but the restrictions on migrant workers are still very strict.

First, Shaoxing canceled the difference between agricultural hukou and urban hukou. The nature of agricultural hukou and non-agricultural hukou and other types of household hukou derived from the whole district are cancelled and registered as resident hukou. The registration of household is no longer marked with the nature of hukou; the existing household registration book does not require uniform replacement. At the same time, education, medical care, family planning, employment, social insurance, housing security, demographics and other systems that are compatible with the urban and rural are all unified.

Second, Shaoxing adjusted and improved the household registration policy. With the basic principle of "Registration of Residents and Consistency of

⁴¹ Notice on Printing and Distributing the Plan to Promote the Settlement of 100 Million Non-Resident Population in Cities (2016)

Households”, the basic conditions of legally stable residence or legally stable occupations are adopted to adjust and improve the household registration policy. Persons who have legally stable residences (including leases) in towns and cities, and their spouses, minor children (including unmarried children without a source of income, the same below) and parents who are living together can apply for registration of permanent residence in the local area.

In addition, Shaoxing encourages high-level talents to settle down and continuously improve the urban settlement rate of permanent residents such as college graduates, skilled workers, vocational college graduates, and returning students to study abroad. Graduates of large colleges and universities who have no legally stable residences in towns but have already implemented jobs, and those who have introduced technology (skills) talents, invested in the establishment of enterprises, and outstanding contributions due to economic development have been audited to meet relevant requirements. One can apply for registration of a permanent residence in the local area. The above-mentioned persons with family households, their spouses, minor children, and parents who are living together can apply for registration of permanent residence in the local area.

Finally, the floating population still lives on the basis of a residence permit. The city further improves the service system for the management of the floating population, strictly implements the registration system for migrants, accurately grasps the basic situation of the floating population, continues to promote the construction of an integrated information platform, and consolidates the basics of the management of the floating population. With the residence permit as the carrier, the city will improve the basic public services and convenience delivery mechanisms linked to the conditions of residence. Shaoxing implements the IC card type residence permit, and gradually builds the residence permit into a comprehensive card certificate that integrates administrative management, public service, finance, and commercial application.

- Talent attracting “fight” in 2018

Starting from the half of 2017, in addition to Beijing, Shanghai, Guangzhou, and Shenzhen, more than 30 provincial capital cities or regional central cities have

issued talent attraction policies, and they have opened their household registration restrictions policies to attract university students to settle in the city. The phenomenon is called attracting “fight”. Large cities such as Nanjing, Xi'an, Tianjin, Zhengzhou and Wuhan have introduced a new household registration policy and relaxed the requirements for settlement.

Xi'an's household registration policy has not changed for ten years. On March 1, 2017, it ushered in a historic revolution. This time, Xi'an first relaxed its settlement policy. In the following year or so, Xi'an has repeatedly lowered the threshold for settlement. At present, the academic qualifications for settlement have been relaxed to full-time ordinary colleges and universities, secondary vocational schools (including technical schools) graduates; college students can only apply for settlement with their student ID card and ID card. The number of settlements has become an indicator of the performance of the public security department. This is even a funny scene: some college students just got off the train to Xi'an, they were asked by the police to show their ID card. After one minute, the college student settled in Xi'an and has Xi'an's Hukou. On April 10th, the Shaanxi Provincial Public Security Bureau relaxed the former “Talent” to ordinary employees and even migrant workers. On April 26th, Xi'an City announced in Shanghai that “2018 Xi'an key industries such as hard technology, finance and internet are in urgent need of talent recruitment activities”. It will fully open the legal representative, shareholders and enterprises of enterprises under 35 years old in Xi'an. The latest data from the Xi'an Public Security Bureau shows that since the implementation of the new household registration in 2017, as of now, it has newly relocated to 645,000 people, equivalent to moving into a medium-sized city for one year.

In May 2018, Tianjin introduced the “Haihe Talents” program. It is proposed that ordinary college graduates under the age of 40 can settle in Tianjin. This reform has made Tianjin an unprecedented force in the reform of talent settlement. As Tianjin is closer to Beijing, in the case of Beijing's household registration policy tightening, Tianjin's hukou opening has attracted a large number of people who have lived in Beijing for a long time without a hukou. In the day when the “Haihe Talents” action plan was issued in Tianjin on May 16th, 300,000 people

applied to settle in Tianjin, which caused Tianjin's settled APP to collapse. A week later, Tianjin changed its policy, stipulating that only those who have lived in Tianjin for a long time can settle in Tianjin.

According to the new household registration policy in Wuhan, the university graduates who are staying in Wuhan and under the age of 40 can settle in Wuhan. With the diploma, they can apply for registration as a permanent residence in Wuhan. The master's and doctoral students are not subject to age restrictions. The university students are separated from the employment and entrepreneurship policies. It is called zero threshold, "lowest threshold, the simplest procedures, the most lively mechanism" college students settled in the policy.

The new policies on household registration reform in these big cities are in fact only the liberalization of highly educated talents. This is also the purpose of these cities to open their household registration policies: to attract highly educated talents. For low-level migrant workers, the policies of these cities are still very strict.

Puyang

Puyang City is located in the central part of Henan Province, which is the central part of China. There are three reasons why Puyang is chosen as a typical population outward city. First, the resource-based cities in Puyang City have a huge gap between urban and rural areas and between the rich and the poor. Puyang City relies on the development of Zhongyuan Oilfield and declines due to the depletion of oil fields. The urban economy cannot absorb local labor, especially the rural labor force. Secondly, Puyang has a large population, and a large number of rural surplus laborers go to work in the eastern coastal cities. Finally, due to the rural migrant workers working in rural areas, the problem of aging in rural areas in Puyang is very serious. The older residents of Puyang City have caused the biggest bottleneck in the development of Puyang City.

It can be seen from the starlight map of Puyang that from 2000 to 2012, the brightness of the lights in Puyang has hardly increased, which indicates that the economic development of Puyang has been stagnant for a long time, or even

retrogressive. With the economic recession and the shift of population, the economic level of Puyang has further declined.



Figure 42 Light map in Puyang 2000(left) and 2010(right)

Source: National Oceanic and Atmospheric Administration of USA

A disease in a resource-exhausted city.

As a major energy province in China, Henan Province has developed and utilized resources in the process of industrialization. Nowadays, these cities are facing different levels of resource depletion, and the typical one is Puyang City. Puyang is a typical resource-based city established with the development of oil and gas resources in Zhongyuan Oilfield. In the past 30 years, relying on the advantages of mineral resources, it has formed an industrial system led by oil, natural gas and chemical industry. The national economy and social development have achieved certain results. In recent years, with the gradual exhaustion of resources, the high proportion of oil and related industries, the pressure of employment and re-employment, the weak social security capacity, and obvious constraints on resources and environment have become increasingly prominent. In November 2011, with the approval of the State Council, Puyang City was listed as one of the third batch of resource-exhausted cities in the country.

Since the discovery of resource exploration in 1975, Zhongyuan Oilfield has produced a total of 130 million tons of crude oil and 45.1 billion cubic meters of natural gas, providing raw materials for the national economic construction and making positive contributions to economic development. However, with the increasing difficulty in oil and gas exploration in Zhongyuan Oilfield, the reserves

of crude oil and natural gas have been declining year by year, and the advantages of oil and gas resources have gradually weakened, directly affecting the sustainable development of related industries, and Puyang City has entered the ranks of depleted oil resources.

The development of Zhongyuan Oilfield has entered the middle and late stage, and the difficulty of tapping potential technology has increased. The difficulty in increasing the production of oil and natural gas is increasing year by year. The new replacement mining area is difficult to form a large production capacity in a short period of time, which will directly affect the annual output. At present, more than 50% of the developed oil fields in Zhongyuan Oilfield have entered the high water cut stage, resulting in high oilfield development costs. In the past two years, the crude oil output of Zhongyuan Oilfield decreased from the historical maximum of 7.22 million tons in 1988 to 2.6 million tons, and the remaining recoverable reserves only accounted for 4.6% of the accumulated proved reserves; the natural gas production was the highest in the history of 1.75 billion cubic meters in 2004. The value fell to 438 million cubic meters, and the remaining recoverable reserves accounted for 5.8% of the accumulated proved reserves.

Based on the development and utilization of oil and gas resources, Puyang has developed and constructed a number of petro-chemical, special glass and electric light source projects. With the increasing difficulty of oil and gas exploitation in Zhongyuan Oilfield, oil and gas production has fallen sharply. These enterprises have been greatly affected. 1/3 Enterprises shut down, and 1/3 of enterprises stopped production and stopped production.

With the adjustment of economic structure and the pace of enterprise restructuring, the contradiction and structural contradictions of the total supply and demand of labor are further highlighted. Due to the decline in oil and gas production, the number of laid-off workers has been shrinking year by year, and the number of laid-off and unemployed people associated with oil and gas resources has reached 32,000. These laid-off and unemployed people have difficulties in living and have increased the pressure of social management. Under the background of the severe employment situation, the employment pressure of “four major groups” such as college graduates, urban new growth labor force, urban

employment difficulties, migrant workers and agricultural surplus labor has increased.

As far as Puyang's financial situation is concerned, the huge gap between income and expenditure has made Puyang's finances on the verge of bankruptcy. The fiscal revenue of Puyang City is only one-third of the fiscal expenditure, and a large number of deficits need to be compensated by the central government's financial allocation. Due to the continuous outflow of the population and the decline in business conditions, the fiscal and tax resources of Puyang City are increasingly scarce.

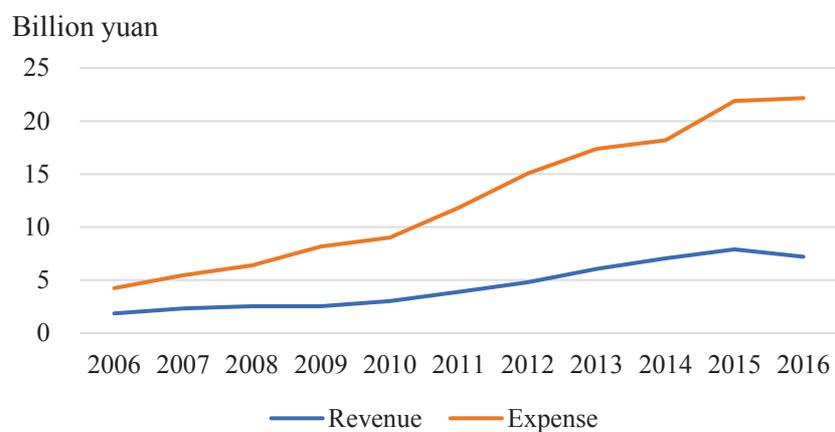


Figure 43 Puyang Budget Revenue and Expense over The Year

Source: Puyang Finance Bureau

Resource-based cities have created a huge gap between the rich and the poor and the urban-rural gap. In 2015, the urbanization rate of Puyang City was 7.1 percentage points lower than the average level of Henan Province, 17.8 percentage points lower than the national average. The total poverty population of Puyang City reached more than 500,000. The GDP per capita, the general budgetary income per capita, the per capita net income of farmers, the per capita disposable income of urban residents are all lower than the provincial average, the infrastructure is weak, the level of urbanization is low, and the industrial development function is weak. The economic development of these areas is severely constrained by floodplains, and it is very difficult for the people to get rid of poverty.

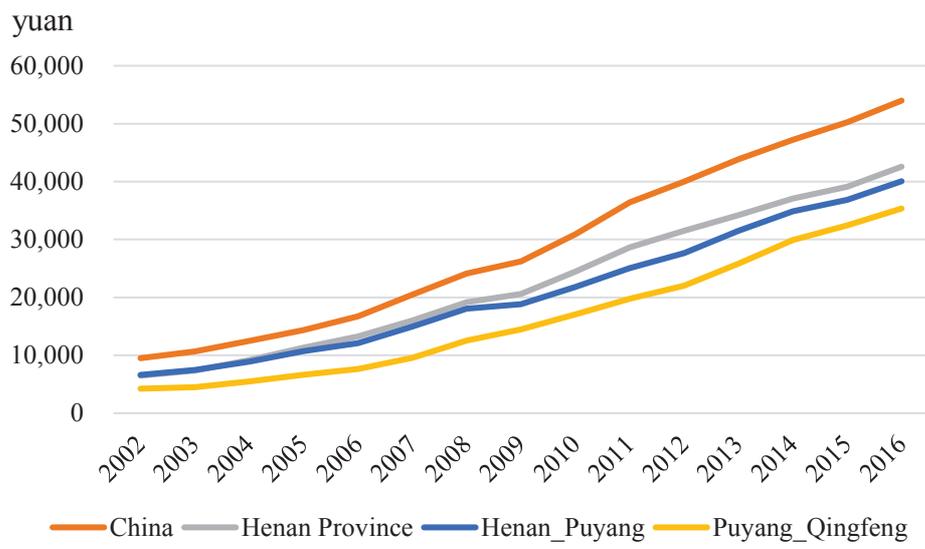


Figure 44 Disposable Income per capita in Puyang

Source: National Bureau of Statistics ; Henan Provincial Bureau of Statistics; Puyang Municipal Bureau of Statistics





The number of migrant workers working outside the home is large.

Puyang City is a large agricultural city with a large rural population and a large number of migrant workers. By the end of 2016, the rural population was 3.056 million and the rural labor force was 1.885 million. Every year, a large number of surplus laborers go out to work. According to the rural household sample survey data, in 2016, the number of migrant workers working in the city reached 628,000, the income from migrant workers reached 10.47 billion yuan, and the average out-of-work time of migrant workers reached 7.8 months, and the average annual income reached 16,673 yuan. Labor income has become an important support for farmers' income.

Rural young and middle-aged young people have good physical and cultural qualities, and they are open-minded, have a strong desire to realize their own values, and are bound by traditional concepts. Women generally stay at home after getting married and become responsible for caring for the elderly and children. The migrant workers who work outside Puyang City are mainly male and young, with a male to female ratio of 3.37:1. The male labor force who goes out to work also accounts for 50% of the total male labor force. From the perspective of age, the

employment of the labor force is mainly young and middle-aged. According to the rural residential survey data, the out-of-employment labor force between the ages of 20 and 50 accounts for 80% of the total employed labor force, and the age of 16-20 years old accounts for 12%. The educational level of out-of-employment labor force is mainly junior high school. According to rural household survey data, the educational level of migrant workers in Puyang City is 12% for primary school and below, 68% for junior high school, 16% for high school and technical secondary school, and 4% for junior college and above.

At present, there are four main ways of exporting labor services in Puyang City: one is the introduction of public employment. It is mainly output through the employment introduction service center of the labor security department and the township labor security station, accounting for 4% of the total labor export; the second is the output of the technical school. The city's technical schools adopt the method of enrollment training and the designated employment units, and the annual output of employment accounts for 4% of the total output; the third is the employer recruitment and self-employment output. The main target is those with high quality of rural culture and skilled and skilled personnel. These personnel account for 18% of the total labor export; the fourth is the introduction of friends and relatives. Output through the "blood, popularity, geography" relationship, accounting for 74% of the total output. This kind of labor economy, which is mainly driven by family members, introduction by relatives and friends, demonstration of local out-of-town personnel, and related departments and organizations, has obvious spontaneous characteristics.

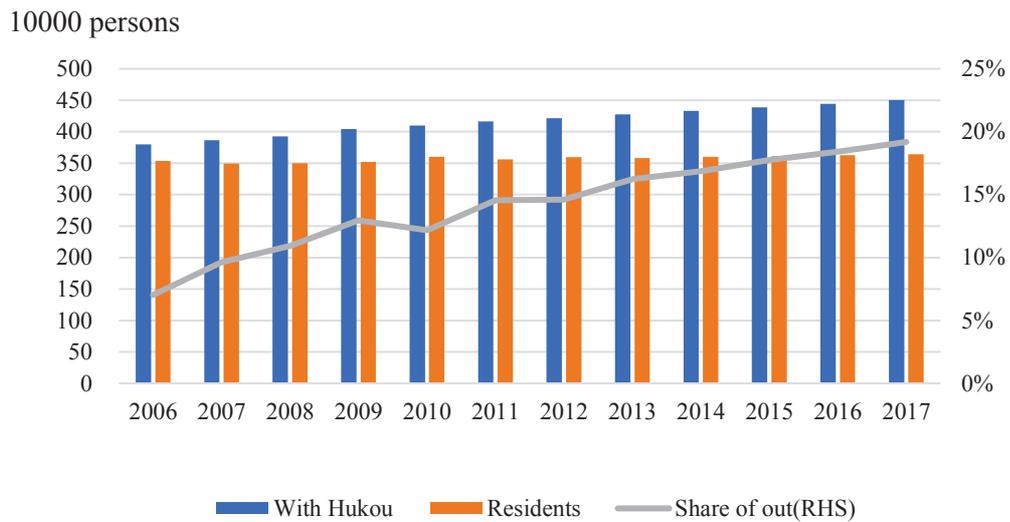


Figure 45 Population in Puyang

Source: Puyang Municipal Bureau of Statistics

The population is getting older.

According to the statistics of the Puyang Municipal Bureau of Statistics, in 2014, the number of elderly people over 60 years old in Puyang City reached 468,000. It is predicted that by 2020, the number of elderly people over the age of 60 will reach 599,300, accounting for 16.64 of the resident population. The rapid growth of population aging will directly affect the smooth development of social and economic development in Puyang City.

The proportion of population aging is higher than that of cities. With the rapid development of Puyang's economy, some middle-aged and young-aged laborers in rural areas in Puyang have to work in other places, some have developed into large cities, and the number of left-behind elderly in the village has increased year by year. This reduces the proportion of the elderly in the urban area while the proportion of the elderly in the rural areas is relatively high. This is also one of the important characteristics that distinguishes the aging of other developed cities.

The proportion of elderly people in Puyang City is large and rising sharply, but the elderly service institutions are insufficient. On the one hand, traditional family pensions are under attack. Under the market economy system, young and middle-aged laborers go out to make a living by taking into account the “opportunity cost” of domestic farming. The lack of care for family members and

the weakening of the “filial piety concept” make it difficult for the traditional pension model to play a good role, and the demand for social pension services for the elderly has increased. On the other hand, the current pension service mechanism in rural areas of Puyang County is not perfect. The mode of old-age care is still based on the “feedback model”. The concept of “nurturing children and preventing old age” is deeply rooted in the hearts of most elderly people, and the number of old-age care institutions is small; the basic environment and facilities for pensions in rural areas are not perfect.

For Puyang City, a region with a net output of population, the problem of aging will be the most serious problem in the future. Because the types of net output of the population are young and middle-aged, and these young and middle-aged people have problems in self-survival in the city, it is impossible to talk about the elderly who take over the family and enter the city. The backward agricultural economy in Puyang is obviously not ready for this aging society.

Land waste and reuse.

The young rural labor force in Puyang is working in the field all the year round. Only women, the elderly and children stay at home, and it is very difficult to cultivate land. Even some families are long-term in the field, and the land is only idle. In this case, the land in the rural areas of Puyang caused a large area of ruin.

In order to ensure that the land is not abandoned, the supply and marketing cooperatives in Puyang City have adopted the form of contracting farmers' land. This involves a very complicated legal relationship. The land ownership in the rural areas belongs to the village collective, and the land owned by the peasants is nominally entrusted by the village collective to the peasants for cultivation. The peasants only have the right to use the land, but in fact they are all the property rights of the peasants. When farmers go out to work and cannot cultivate land, the official cooperatives in Puyang City will “re-contract” the land. This is equivalent to first recognizing the right to use the farmer's land (actually ownership) and then borrowing the right to use it.

In order to make such a right to use the loan, the Puyang City Supply and Marketing Cooperative signed a detailed land custody agreement with the farmers.

Farmers' professional cooperatives should adhere to the household contract responsibility system, do not change the land contracting rights, management rights, and income rights, and sign with farmers according to the principle of “trusteeship, paid services, risk sharing, benefit sharing, and form freedom”. For example, Qingfeng County Agricultural Science and Technology Professional Cooperative signed a land trust service agreement with farmers for the process of cultivation, management, harvesting, drying, storage and sales, including: Production agreement, land income is owned by farmers; Standards, according to the market price of 10% lower than the current year, determine the cost of agricultural resources and labor services, according to the time node of the production link to the farmers; custody quality assurance, land cultivation, planting, harvesting process have village representatives to supervise the implementation. The signing of the land custody agreement clarifies the rights and obligations of the farmers' professional cooperatives and farmers, protects the interests of both parties, and effectively reduces unnecessary disputes in the land custody process. As of June 2015, the city's supply and marketing cooperative system has managed a total of 36,000 mu of land, and the land custody area has steadily increased.

Conclusion

This chapter studies the current transformation of Chinese cities through case studies of four cities in Beijing, Shenzhen, Shaoxing and Puyang. Beijing, Shenzhen, and Shaoxing are cities with a net inflow of population, representing three major categories: conservatively excluded large cities, open managed large cities, and open-access cities. Puyang is a city with a net outflow of people and a representative of the central and western cities of China. Although these cities are more or less undergoing transformation, due to the resistance of the intrinsic urban class, the integration of migrant workers into cities and the difficulty of obtaining household registration is still very large. China's urban transformation also needs to be promoted by further reforms.

5th Part: the future transition of cities

The transformation of urban development concept

China's urbanization thought and practice are divided into two stages by the reform and opening up: First, the unstable stage of urbanization development before the reform and opening up; Second, urbanization has entered a recovery and accelerated development stage after the reform and opening up.

Before the reform and opening up, the city began to develop industries, urban leaders and villages, and urban and rural mutual assistance; the Great Leap Forward began to the end of the Cultural Revolution, and the people's communes were the carriers of urbanization, pursuing the industrialization of the communes and eliminating urban-rural differences.

Since the reform and opening up, the idea of urbanization has mainly been reflected in the discussion of urban scale and development model. The idea of focusing on the development of small towns is dominant, and the characteristics of decentralized urbanization in China are obvious. This feature and the use of low-cost industrialized resources are extensively utilized. The mechanisms are interrelated. However, with the evolution of the spatial agglomeration process, China's economic growth in land, energy, and environmental pressure is increasing. How to find a balance between decentralized urban development and concentrated urbanization becomes more and more eye-catching. Today, large, medium and small cities are developing together, and accelerating urbanization to promote sustainable economic growth. The "10th Five-Year Plan" puts forward the idea of "coordinated development of large, medium and small cities and small towns" and the establishment of "urban dense areas", which indicates that the path and concept of centralized urbanization will enter the vision of urban development planning.

The 18th session of the Communist Party of China proposed to promote the urbanization of agricultural transfer population and gradually convert eligible agricultural transfer population into urban residents. The central government want to innovate population management, speed up the reform of the household registration system, comprehensively liberalize the restrictions on the

establishment of towns and small cities, orderly release restrictions on the settlement of medium-sized cities, reasonably determine the conditions for settlement of large cities, and strictly control the population size of megacities.

Future urban development ideas

First of all, the management department that dominates urban governance must truly establish the concept of humanism and the concept of fairness in urban and rural areas. Without the dominance of these concepts, it is impossible to achieve a strategic transformation of new urbanization and urban governance with people as the core. Why can the traditional urbanization model and the urban governance model continue for a long time? Why is it that the basic social public services of the resident population in the same city are difficult to equalize? Why is the old system and system inertia so great? The main reason lies in the concept of humanism and the concept of fairness in urban and rural areas. Just staying on the file and promotion slogan did not become a belief that management must implement. Whether the inspection management department establishes these concepts not only listens to what they say, how to plan in the future, but more importantly, how they do it and whether it has established an effective monitoring and control mechanism.

Secondly, small and medium-sized cities must open the household registration system that is open to both local rural residents and open to farmers outside. As long as the applicants for household registration have the conditions for living and self-reliance, regardless of whether the original household registration is local or foreign, and the length of their work, as long as they have lived for half a year, they can be settled in small and medium-sized cities as a permanent resident, and they can obtain local household registration. If the original household registration of the registered person is rural, it is not mandatory to abandon the rural housing and land contractual management rights. Nowadays, many cities have established a residence permit system and a point-to-entry system. In the process of citizenship of migrant workers, an intermediate transitional link has been established, which essentially further solidifies the household registration system of urban and rural division. In fact, small and medium-sized cities are different from the large cities in

which the population needs to be controlled. The residence permit system is not applicable. Therefore, it is necessary to synchronize the open household registration in the process of implementing new urbanization. It is also the touchstone for testing the concept of humanism and the integration of urban and rural areas to dominate the urban governance.

Finally, establishing a mechanism for the finance, employer and individual to share the “cost of migrant workers' citizenship” and encouraging multiple entities to jointly build cities. The value created by the labor of migrant workers has already constituted the fiscal revenue of local towns. Therefore, the management department should provide them with the same social public services as the registered citizens. This is not a gift, but a return to the original owner. It is necessary to establish and improve the mechanism for fiscal transfer payment and the employment of migrant workers in cities and towns, and narrow or even eliminating the fiscal discrimination in basic public service subsidies. Local governments should be allowed to attract social capital investment through equity financing, project financing, franchising, etc., to expand financing channels and improve the carrying capacity of urban infrastructure.

Urban governance model innovation transformation

Establish a service-oriented government

The ideal way of government governance includes the following aspects: the legitimacy of governance, that is, the authority and political order are recognized and obeyed; the transparency, that is, the openness and transparency of various information such as political economy; the responsibility, that is, the behavior of the governor Responsible; responsiveness, that is, the governor (institutions and staff) must respond promptly and responsibly to citizens' appeals and demands; effectiveness, that is, the management organization is set up reasonably and economically. With the development of urbanization and civil society organizations, the government governance model has more and more diversified

tendencies of governance rights. In the case of governance rights returning to society, the cooperation and coordination between government and non-government departments have become the most important governance methods.

The innovation of the Chinese government governance model should grasp the following points: (1) The establishment of a public service-oriented government. The essence of the urbanization stage of economic development differs from the industrialization stage in that the demand for public services in urban society is constantly expanding. These services cover tangible physical products including water, electricity, gas, roads, communications, vehicles, etc., including safety. The efficient operation of the public goods supply system requires careful institutional design and organizational arrangements, which are met by a non-all-round government management model. (2) The development of non-governmental organizations. Cultivate the development of economic, charitable, private non-enterprise units and urban and rural community social organizations, strengthen their service functions; promote the reform and development of industry associations and chambers of commerce, play the role of communication between enterprises and the government; promote the transfer of functions from government departments to social organizations. (3) The public nature of government governance. It is mainly to strengthen the awareness of citizen participation and citizenship in the process of government governance, and encourage citizens to participate in management in the fields of economic, political and social affairs.

In the social field, China should emphasize that the government returns to the public interest and publicity, build a “enhanced public service” government, and better play the role of the government. Urbanization has changed the population size, social structure and lifestyle of the city. Public services and infrastructure are facing new challenges. The demand for public services among different groups is heterogeneous. It is difficult for the public sector to balance between different subjects. The demand for basic rights has been unfairly shared.

First, cities should continue to improve the level of urban public service supply, meet the basic needs of the floating population, and prevent the tendency of

public services to be “aristocratic”. Due to the sharp increase in urban population and the tight supply of basic public services such as education, medical care, and health, cities should continuously increase and improve the quantity and mode of supply of public services, and focus on solving the basic public service needs of migrant workers and other urban migrants, fully guarantee the living conditions of urban migrants and share the fruits of urban development.

Secondly, cities should explore new mechanisms for urban community management, and use the community as a carrier to enhance the responsiveness of the public sector to the needs of the public. Drawing on the experience of urbanization in western developed countries, combining with China's specific national conditions, strengthening urban community construction, improving the ability of urban communities to autonomously manage, improving the basic system of community management in China, allowing volunteers to participate in urban community affairs. The mode of multi-subject cooperative governance better meets the needs of the citizens.

Finally, cities should improve the institutional channels for civic participation, build an institutionalized platform for government, society, and citizen governance, guide and develop various civil society organizations, further optimize the policy environment for social organization development, and encourage and support social organizations to participate in public service, stimulate the vitality of social organizations.

Advices for four cities

For Beijing, the current policy of demolition of population needs to be reversed. Because population aggregation to large cities is a general rule of urban development, a city needs both highly educated workers and workers who provide basic living services. In fact, Beijing should change the single-center urban development model. Beijing should use more financial resources for the construction of residential communities and the improvement of living environment. Beijing should also build more cheap rental houses are available to

laborers from other places, and increase training opportunities to increase their human capital.

Shenzhen is a dynamic immigrant city, but it has also become more conservative in recent years. Shenzhen should try to reduce the social welfare attached to the existing household registration system and reduce the privileges of urban residents. Shenzhen should try to incorporate illegally built houses into the formal housing, with paying the transition fees. This will increase the supply of housing for low-income groups and improve their quality of living. Shenzhen should also provide skills training for foreign immigrants to improve their skills supply in the enterprise and in the enterprise. Work cycle.

For medium-sized immigrant cities such as Shaoxing, the intensity and scope of the reform of the household registration system should be further expanded, and the household registration restrictions of urban and rural areas, locals and foreigners should be fully liberalized so that the labor force can move freely. At the same time, local governments should provide skills training for immigrants to help them adapt to local work needs as quickly as possible. And help foreign organizations to form autonomous organizations in line with the policy, into the formal political framework. Such organizations can be used to coordinate conflicts between immigrants and local residents.

For cities with such a net outflow of people like Puyang, the policy orientation should be contracted. The government should reduce fiscal expenditures, reduce unnecessary public investment, control government debt levels, and minimize the negative impact of population outflows on the local economy. For the vacancy of land resources brought about by population outflows, the land use mechanism should be reformed so that land can be transferred between local populations, increase land use efficiency, and increase land unit output.

Urbanization system innovation

Land use system reforms

- Defining farmers' property rights

According to the new institutional economics, in order to improve the tradability of property rights and achieve effective allocation of resources, property rights must be clear. This requires a clear definition of the various property rights and property responsibilities of the market participants. The first is to fully protect the possession, use, income, and transfer rights of the contracted land, and allow the contractual management rights to be mortgaged, guaranteed, and invested. Of course, the premise is to adhere to the basic rural management system, stabilize the land contracting relationship, and implement the farmland protection system. The second is to speed up the reform of the rural housing base system, refine the usufructuary rights of the farmer's homestead, and prudently and steadily promote the mortgage, guarantee and transfer of the farmers' housing property rights. Finally, it is effective to protect the property rights of members of the peasant collective economic organizations, and actively develop various types of peasant stock cooperative economic organizations including community stock cooperatives, and accelerate the definition of peasants' shareholding.

- Cultivate the property rights transfer market

The important reason for the difficulty in realizing the peasants' land property rights in China is the fragmentation of the urban and rural land market and the lack of the rural property rights trading market. Being close to the market and being able to enter the market at a lower cost to participate in the transaction is an important condition for realizing the property rights of farmers. In recent years, the scale of rural land contractual management rights has been continuously expanded and prices have been rising, indicating that the market can improve the allocation efficiency of land.

It is possible to accelerate the transfer of rural property rights and the construction of trading markets from both the tangible market and the spontaneous market. The first is to establish a regional and national rural comprehensive property rights exchange. As a tangible market, rural comprehensive property rights exchanges can provide places, supporting facilities, transaction information publishing, trading organization, consulting, investment and financing services for rural property rights transactions. The second is to cultivate the collective assets of farmers, the circulation of rural housing and contracted land, and exit from the

market. When the tangible market is still immature, farmers' spontaneous property rights transfer or market transactions such as shareholdings and mortgages can stimulate the vitality of the rural economy and benefit the agricultural industrialization operation and the growth of new agricultural management entities.

- **Reforming the land use system**

First, reform the urban and rural land dual system and establish a unified land market. Due to the existence of the urban-rural dual land system, when the agricultural land is converted to non-agricultural land, the conversion of the collective ownership of the land to the state must first be carried out. And then the local government transfers the land use right to the land user, and the financial benefits of the land are included in these transfers, the principle of parity at the same place has also been undermined. Therefore, accelerating the establishment of a unified urban and rural land market and improving the land transfer system are important measures to curb land finance and reduce farmers' losses. Second, explore and improve the land transaction mechanism and establish a land market trading platform. Establish a land property rights trading platform, create conditions for cross-regional transactions of land indicators, and promote the formation of reasonable land prices. Finally, renew the land resource conservation and utilization mechanism in the economic development zone. In order to avoid problems such as the agglomeration effect of the economic development zone and management confusion, a scientific and reasonable quantitative evaluation index should be established for the land use efficiency of the development zone.

Migrant workers citizenization

- **Household registration system reform**

Large cities such as provincial capitals and municipalities directly under the Central Government need to be the key targets for the reform of China's household registration system. As pointed out in the previous analysis, the reform of the household registration system in large cities in China is far behind the reform of the household registration system in small and medium-sized cities. In addition, the

contradictory focus on the existing household registration reform is increasingly concentrated in the large cities and rural areas between the regions. Therefore, if the reform circumvents this contradictory focus, it will not be possible to achieve a comprehensive breakthrough in the reform of the household registration system. Starting from this logic, China's household registration system reform must focus on large cities, especially municipalities, sub-provincial cities, and provincial capital cities. Considering the difficulties in the reform of the household registration system in large cities in China, the reform in this area can be divided into two steps: The first step is to set a transition period for the reform of the household registration system in response to the binding conditions of the capacity of large cities. During the transition period, large cities are allowed to continue the “point settlement” to control the urban population and the quality of public services, but the current point standards must be transferred from individual human capital and investment capacity to years of residence, employment status, social security, etc. The second step is that after the transition period, the reform of the household registration system in all major cities must highlight the industry's dependence on the floating population. This means that as long as it is the migration labor required for urban industrial development, the government has an obligation to provide equal basic public services. In this process, if the migrant population dominated by migrant workers begins to exceed the population limit of the city, the big cities need to transfer the labor-intensive industries to the surrounding satellite towns to accelerate regional economic integration and regional public service homogeneity.

The reform of the household registration system in China also needs to reasonably guide the development gap between cities and between urban and rural areas, and comprehensively eliminate the unreasonable interests accumulated in the history behind urban Hukou. As far as the former is concerned, the population movement in developing countries is not only reflected in the flow of rural surplus labor to cities, but also in the movement of populations in economically backward areas to developed areas. Starting from this logic, if China can not gradually change the developmental differences between cities and the imbalance between urban and rural development, the concentration of migrant workers, mainly migrant workers, in the eastern cities cannot be fundamentally changed. The reform of the

household registration system will inevitably become more difficult. Therefore, the reform of the household registration system must reasonably guide the development gap between cities and between urban and rural areas. First of all, it is necessary to rely on the opportunity of the transfer of eastern industries to the central and western regions to accelerate the industrial development and urbanization process in the central and western regions. Secondly, it is necessary to change the government's resource input mainly to focus on the preferences of large cities, and vigorously develop county-level cities and central towns. Gradually increase the level of public services in these areas; it is also necessary to gradually smooth the gap between urban and rural development, especially the huge difference in basic public services between urban and rural areas. As far as the latter is concerned, the unreasonable interests behind urban household registration are also important factors in attracting migrant workers and other migrants. This is particularly prominent in megacities such as Beijing, Shanghai and Guangzhou. Therefore, whether based on the logical connotation of fairness and justice or the realistic needs based on the rational flow of the population, it is necessary to completely abolish the irrational interests accumulated by the town for a long time.

The reform of the household registration system in China cannot sacrifice the relevant rights and interests of migrants who are mainly migrant workers in rural areas. In fact, China's household registration system reform is to pay off debts for the past misplaced policies, and this kind of debt repayment is reflected to a greater extent by the city's debt to the countryside. Therefore, the most important is to equalize the public services and fair employment of towns, or to obtain the hukou and social security of megacities such as Beijing and Shanghai. The reform of the household registration system in China cannot sacrifice the relevant rights and interests of migrants who are mainly migrant workers in rural areas, such as increased property income, homestead replacement, land contractual management rights transfer and land acquisition. On the contrary, governments at all levels should actively create various conditions, such as building a rural property rights trading market, and encourage migrant workers, mainly migrant workers, to bring capital into the city and enhance their ability to survive and develop in cities.

Expand employment, increase the remuneration of workers, and build a social sharing mechanism to expand employment. Expanding employment, increasing labor participation in the process of economic growth, and improving the labor compensation ratio through the reform of the labor system are the most important people-oriented goals for the people in the future. Promoting the transfer of rural labor, accelerating the development of the service industry, especially increasing the proportion of tradeable services, expanding employment, and raising income are the focus of this period. The government should reform the income distribution system, adjust the income distribution mechanism, narrow the income gap, and expand the coverage of the social security system. Actively promoting the development of health, education, affordable housing and public services, and achieving social harmony, is basically to establish a mechanism for universal sharing.

Unify the urban and rural labor market and promote the employment and urbanization of the tertiary industry. What the government needs to do is to improve the city's infrastructure conditions, focus on urban planning, eliminate those unreasonable restrictions, and provide a public service system that optimizes the city's economy to promote and encourage urbanization. In order to effectively promote the urbanization process, it is crucial to do two things well. First, allowing farmers to move freely and reducing the restrictions on farmers entering the city. Farmers should enjoy the rights to choose their own occupations in different regions and industries as the citizens do. Second, the government must reduce various policies and actual discrimination against migrant workers. The medical insurance, endowment insurance, and industrial injury insurance for migrant workers should all increase the level of protection and coverage with economic development. When the “transformation cost” from farmers to citizens is reduced, more farmers can be more quickly converted into urban labor, mainly the tertiary industry, and thus more quickly converted into “citizens”. At the same time, the increase of urban residents is bound to put forward higher requirements for the service industry and promote the rapid development of the service industry.

Construct an integrated society

Economically stable structure and social protection

- Asset-based social protection policy framework for migrants

The asset-based social protection policy of floating population has three characteristics: one is to focus on the construction and accumulation of personal assets, the other is to pay attention to the top-level design of systems and policies, and to improve the policy supporting system. The third is comprehensive education, employment or multi-sectoral policies such as entrepreneurship and health care. From the perspective of the policy system, the asset-based social protection policy for migrants includes five aspects: one is to establish a comprehensive account for individuals or families, the other is to achieve the free flow of personal accounts as a breakthrough, and the third is to improve individuals. Account management ability is the key, the fourth is to strengthen the construction of personal assets, and the fifth is to improve the supporting policies.

- Based on the establishment of a personal or family account

Individual or family accounts are the core and foundation of the entire asset-based social protection policy system for migrants. At present, China's accounts for migrants are mainly limited to social security. Most of them are based on employment-based accounts, such as unemployment insurance accounts and pension insurance accounts. Although these accounts are being normalized, that is, unified into one account, these contents are separate. For example, maternity insurance is only related to fertility, but not enough attention to the health management of women after childbirth. In general, there is currently no special fund for employment, education and training of migrants, and there is no comprehensive development fund. Therefore, it is recommended to establish a comprehensive account of the floating population with reasonable structure, relevance, flexibility and inclusiveness. If it is a family-based migration, a family account can be established, and all aspects related to education, employment or entrepreneurship, health, housing and social insurance, and social assistance are included in the individual or family comprehensive account. At present, many cities have social insurance accounts for migrants. Therefore, a project similar to a personal development fund or a family development fund can be established on the

basis of social insurance accounts. It will encourage special funds such as entrepreneurs or employment, tax payment, and purchase of commercial housing. In the early stage, we can first target the floating population with working ability or the floating population in employment, and then gradually expand.

- To achieve the free flow of personal accounts as a breakthrough

The specific implementation of the social protection policy of the floating population in China is mainly in the local government. Due to the large differences in regional economic and social development levels and the fiscal system of “divisional eating”, different local governments have different social protection policies for migrants. Judging from the social security system for floating population, there are currently several models in the country. Because the level of social security is too low, there is a great difficulty in the connection between various models. An important breakthrough in the construction of an asset-based social protection policy system for migrants is to make real personal accounts, improve the overall level of social security, and ultimately realize that individual or family integrated accounts can flow freely throughout the country without loss of welfare.

- The key to improving personal account management capabilities

The government must guide the floating population to realize their own and family's dreams through a comprehensive personal account or a comprehensive family account. Therefore, it is necessary to establish a personal and family account management ability evaluation system, and implement an individual or family integrated account management training and training program to encourage and correctly guide individuals and families to use development accounts to invest in education, employment or entrepreneurship, and health projects.

- Focus on strengthening personal asset construction

The construction of personal or family assets is the core of the entire asset-based social protection policy system for migrants. The first is the construction of personal accounts, which requires individuals and families to work hard, actively save money, increase the enthusiasm of individuals and households, and accumulate large assets through regular small savings to achieve greater consumption in the future. Second is the accumulation of personal and family

credit, accumulating personal credit through a mechanism of regular deposits to individual accounts. Personal and family credit is critical throughout the construction of individual accounts.

- Improve the organization of laborers and strengthen the rights of workers

Benefit protection changes the problem of insufficient protection of workers' rights and interests faced by migrants, and it is necessary to strengthen the government's supervisory duties in the protection of workers' rights and interests. First, on the basis of establishing a sound legal and regulatory system for the protection of laborers' rights and interests, the relevant indicators for the protection of laborers' rights and interests are included in the government performance appraisal, and the duties of government supervision are strengthened. Second, the implementation of the laborer's rights protection certification system, and as a basic standard for industry access and corporate participation in public projects, should be introduced. Third, the government should establish a laborer's rights supervision system and a public notice system for major rights violations, accept public opinion supervision, and impose severe penalties on enterprises that violate regulations. Fourth, we must change the weak position of workers in the labor market and improve their negotiating ability and self-protection ability. The key to changing the size of the floating population and the weak power is to improve the organization of workers and enable workers and peasants to strengthen their economic and social status through self-organization.

- Enhance continuing education and vocational training services to promote the accumulation of human capital in floating population

At present, the floating population, especially the migrant workers, are concentrated at the bottom of the social structure and occupational structure, lacking the social capital and human capital needed for upward mobility. The continuous increase of the floating population and the consolidation of the stratification will lead to polarization, and the city will be divided into two separate societies, which will lead to social contradictions. The uncoordinated social relations will become the social basis for resisting the citizenization of the floating population. The solidification of the floating population will also inhibit the urban

economic structure, and the increase in floating population cannot be transformed into the driving force of urban connotation and sustainable growth. To ensure that population mobility is coordinated with the transformation of urban economic structure and social structure, the key is to establish a lifelong education and vocational training system to promote the accumulation of human capital in the floating population. To this end, it is necessary to increase government input and subsidies, guide social capital investment, and build training bodies composed of various training institutions, such as public, private, and non-governmental organizations, and focus on improving the enthusiasm of enterprises and migrants to participate in training.

Give play to the role of the social management system in promoting the social integration of the floating population. First, the cities should continue to eliminate institutional barriers and injustices; second, accelerate the establishment of a new social management system based on the community, and strengthen the community as a basic unit of urban social management, enrich the content of community services, and enhance the sense of belonging of the floating population; third, give full play to the role of social groups and mass organizations in covering the floating population and promoting social participation, and encourage the floating population to participate in public welfare and mutual assistance social organizations, gradually Establish a social governance mechanism and model that is shared by the floating population.

Towards a political negotiation system

First, the city government must open up the participation space within the system. Increasing the proportion of migrant worker representatives of the Party members' congresses, people's congresses, and political consultation conferences. But this ratio should not be symbolic, it should be adapted to the proportion of the population in the city where it is located. Equally important, their daily public participation as urban citizens, including substantive public policy consultations, consultations, hearings, etc., enables them to move from the “edge” of public

participation to the “center” to ensure their right to speak. Second, the city must build a platform for multiple governance mechanisms. With the advancement of the “deep water zone” reform, both national and social life will achieve a profound transformation, and the governance mechanism must not only implement the principles of democracy and the rule of law, but also demonstrate the participation of citizenship spirit. To promote the civilization of the agricultural transfer population, it is necessary for them to play an important role in the residents committee, the owners' committee, the community volunteer organization, the community self-government consultation and the community security comprehensive governance institution, and play an important role in establishing an open and inclusive multi-governance mechanism. Third, the institutionalized reconstruction of citizen empowerment is needed. In the process of civilization of agricultural transfer population, it is necessary to increase the empowerment of citizens in accordance with the principle of “no authorization or prohibition of the law” and “freedom of law”. The new law and other methods guarantee the citizens’ right of association, expression and participation to promote the formation of decision-making democratization and governance order. The migrant workers should be entitled equal and fair rights, opportunities and abilities within a common legal system and institutional framework, and equal rights to speak, express, and know through the exercise of rights such as political participation, grassroots democratic consultation, and community governance.

Finally the cities should establish and improve the mechanism for the expression of the interests of stakeholders in the reform of the floating population management system and the balanced development of status and strength. It should be noted that although the reform of the floating population management system mainly depends on the behavior patterns of the government, it is also affected by other stakeholders. Therefore, in addition to actively changing its own behavioral model, the government should also play the role of a system supplier, and create a good institutional environment for the various stakeholders of the floating population management system reform to fully express their aspirations and equality. It is necessary not only to make the preferences and demands of different

stakeholders more standardized and legalized, but also to make the status and strength of different stakeholders develop in a balanced manner. Because a group's political status and economic strength determine their ability in the game of interest, whether he is a public choice subject within the system, he has the ability to directly or indirectly influence public choice. Therefore, in addition to giving the necessary financial support and providing more development opportunities to relatively vulnerable groups such as migrants, the key is to increase their organizational level and allow them to establish and legitimize non-political organizations that represent their own interests. In order to enhance its ability to express expression and benefit, it indirectly promotes the establishment of a floating population management system that more fully reflects the wishes and demands of various stakeholders.

Synthesis: new development pattern

The development model of China's future cities should undergo a fundamental transformation, from the traditional development model to the new urban development path.

As far as the government is concerned, reform policies should be adopted to rationally and fairly distribute the proceeds of land transfer to farmers and migrant workers, and strive to build an asset pool of urban immigrants to protect their living income in the city. At the same time, the government needs to reform the fiscal system, reduce dependence on land finance and debt, reduce government public investment, and increase public welfare expenditures for urban immigrants, such as education, health care, social insurance, and employment.

For urban immigrants, especially migrant workers, they need to be given more economic benefits, social welfare and increase their political participation. Cities need to accept more political demands from migrant workers, foster community organizations for migrant workers, and enhance the right of migrant workers to speak. At the same time promote the integration between local residents and migrant workers.

On the original urban residents side, a fair dialogue mechanism with migrant workers should be established. Cities must reduce institutional social barriers, especially the restrictions on the hukou system. The ultimate goal of urban transformation is to cultivate migrant workers into real industrial workers and improve their production efficiency, thus forming a harmonious and harmonious urban environment.

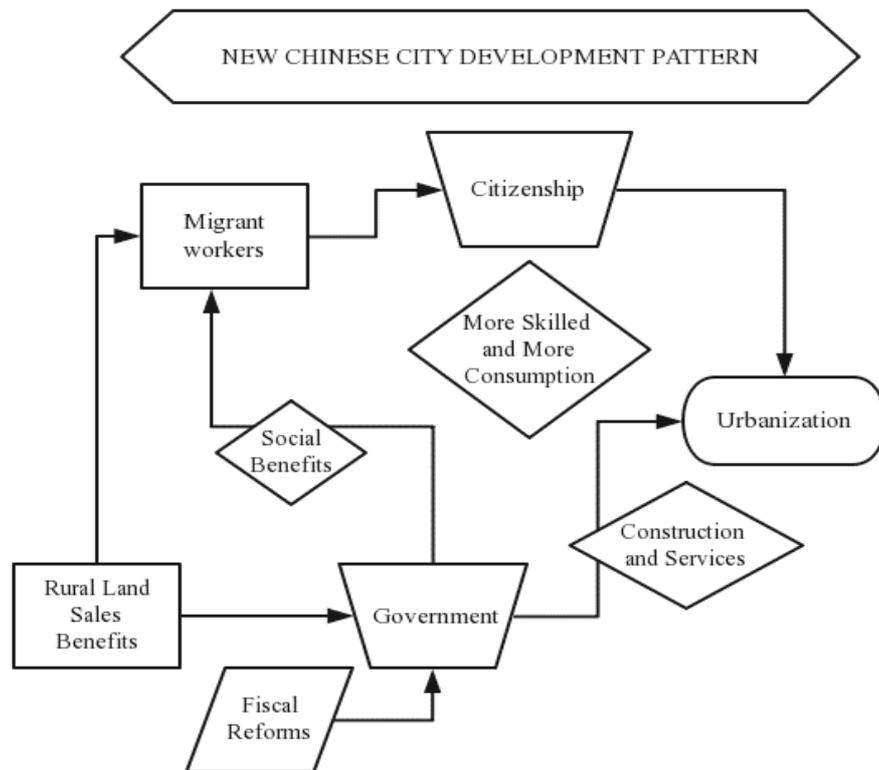


Figure 46 New Chinese City Development Model

Conclusion

The study aims to discuss the end of China's inherent urban development model and the path to future urban development. This paper explains in depth the traditional Chinese urban development mode and transformation dilemma through legal literature research and typical urban case statements. Combined with the overall thinking of China's urban development, this paper proposes a fundamental shift in China's future urban development.

The logic of China's priority to develop cities began in the early days of the founding of the People's Republic of China, when the policy of subsidizing cities in rural areas was implemented to achieve economic catch-up strategies. The specific approach of these policies is to artificially lower the price of agricultural products, raise the price of industrial products, and implement the so-called "scissors difference" policy. In order to maintain this price difference to subsidize urban development and industrial development, a strict household registration system has also been introduced. At this stage, the dual system of urban and rural China was initially formed.

After the reform and opening up, due to the relaxation of population control policies, population movement between urban and rural areas in China became possible. However, there is no corresponding policy guarantee for population mobility. That is to say, the hukou system still strictly limits the right of rural residents to enter the city. China's traditional urban development model is carried out under this deformed system. Rural land is deprived of low prices to supply urban expansion, and farmers provide the cheap labor needed for urban industrial development. In the context of the urban-rural dual structure, China's urban development has over-absorbed the value of rural areas, making the rural areas very poor. Although migrant workers have received higher returns than farmers, they are still very poor. Local governments support the development of cities and industrialization by selling land and obtaining industrial taxes. The original urban registered population relies on the unique resources of the household registration, forming a vested interest group and seriously rejecting foreign immigrants.

This model is currently difficult to continue. Because the rural immigrant groups represented by migrant workers have become a huge scale, they live in cities, but they do not receive the benefits of the city. This discriminatory treatment has led to serious social conflicts and urban instability. On the other hand, the government can no longer obtain profits by selling land. The original urbanization road is facing an unprecedented dilemma.

The four cities of Beijing, Shenzhen, Shaoxing and Puyang actually represent the most typical four types of cities in China. Representative of a huge city in Beijing. Such cities severely exclude immigrants and strictly control the population. The household registration system in Beijing has experienced a historic retrogression. The criticism of the management of this big city in Beijing is also increasing, and social conflicts often occur. Shenzhen is a more open city than Beijing. Since Shenzhen was originally an immigrant city, Shenzhen is relatively inclusive. The speed of urban expansion in Shenzhen and the growth rate of migrants are very fast, and Shenzhen is also particularly focused on the welfare of migrants. But despite this, Shenzhen is not likely to meet the household registration needs of all migrants. In fact, Shenzhen is also the country with the highest proportion of non-residents in China. Shenzhen has adopted an electronic and grid-based approach to managing the migrant population within its jurisdiction. This model is emulated by many big cities. Shaoxing is a typical example of small and medium-sized cities with a net inflow of people. Such cities have actively reformed the household registration system, improved the social welfare level of the migrant population, and better promoted the social integration of the migrant population and the local residents. Puyang is the representative of the net outflow of population in the central and western regions. These cities have low levels of economic development and cities cannot provide sufficient jobs for the rural population. As a result, these cities face a large population loss. At the same time, the loss of population has also brought about the problem of over-ageing cities.

Therefore, China's urban development model needs to be transformed, or the degree of transformation is not enough. Most cities are still relying on traditional models to develop. Cities need to reform the fiscal and taxation system, change the traditional development model of relying on land sales, reduce capital expenditures,

and increase social welfare support for migrant workers. The city also needs to thoroughly reform the household registration system so that all residents living in the city can receive social welfare protection. In order to make the contradiction between the original residents and urban immigrants not intensify, the city's managers need to strengthen political consultations among various groups, foster the associations of migrant workers, and promote the political participation of migrant workers.

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Annex 1

The law system related to urbanization and migration

Chinese	English	Year of Implementation	Year of Invalid
Constitution			
宪法	Constitution	1954	
宪法	Constitution	1975	
宪法	Constitution	1978	
宪法	Constitution	1982	
宪法	Constitution	1988	
宪法	Constitution	1993	
宪法	Constitution	1999	
宪法	Constitution	2004	
宪法	Constitution	2018	
Land			
土地管理法	Land Management Law	1986	
土地管理法	Land Management Law	1988	
土地管理法	Land Management Law	1998	
土地管理法	Land Management Law	2004	
土地管理法实施条例	Land Management Law Implementation Regulations	1998	
全国土地利用总体规划纲要(1997-2010年)	Outline of the National Land Use Master Plan (1997-2010)	1998	
全国土地利用总体规划纲要(2006-2020年)	National Land Use Master Plan (2006-2020)	2008	
全国土地利用总体规划纲要(2006~2020年)调整方案	National Land Use Master Plan (2006-2020) adjustment plan	2016	
国务院关于严格审批和认真清理各类开发区的通知	Notice of the State Council on Strictly Approving and Seriously Cleaning up Various Development Zones	1993	
基本农田保护条例	Basic Farmland Protection Ordinance	1994	1998
中共中央、国务院关于进一步加强土地管理切实保护耕地的通知	Notice of the Central Committee of the Communist Party of China and the State Council on Further Strengthening Land Management and Protecting Cultivated Land	1997	
中共中央、国务院关于进一步加强土地管理切实保护耕地的通知	Notice of the Central Committee of the Communist Party of China and the State Council on Further Strengthening Land Management and Protecting Cultivated Land	1997	

基本农田保护条例	Basic Farmland Protection Ordinance	1998	
关于加强国有土地资产管理的通知	Notice on Strengthening the Management of State-Owned Land Assets	2001	
城市房屋拆迁管理条例	Urban House Demolition Management Regulations	2001	
农村土地承包法	Land Contract Law	2002	
国务院关于深化改革严格土地管理的决定	Decision of the State Council on Deepening Reform and Strict Land Management	2004	
城乡规划法	Urban and Rural Planning Law	2007	
国家新型城镇化规划(2014-2020年)	National New Urbanization Plan (2014-2020)	2014	
Fiscal System			
国务院关于实行分税制财政管理体制的决定	Decision of the State Council on Implementing the Taxation System Financial Management System	1994	
税收征收管理法实施细则	Regulations on the Administration of Tax Collection	2002	
预算法	Budget Law	2014	
Hukou System			
城市户口管理暂行条例	Interim Regulations on Urban hukou management	1951	
国务院关于建立户口登记制度的指示	State Council's directive on establishing a household registration system	1955	
户口登记条例	Account Registration Ordinance	1958	
公安部关于城镇暂住人口管理的暂行规定	Interim Provisions of the Ministry of Public Security on the Management of Temporary Resident Population in Cities and Towns	1985	
国务院关于进一步推进户籍制度改革的意见	The State Council's opinion on further promoting the reform of the household registration system	2014	
国务院关于深入推进新型城镇化建设的若干意见	Several Opinions of the State Council on Deepening the Construction of New Urbanization	2016	
国务院办公厅关于印发推动1亿非户籍人口在城市落户方案的通知	Notice of the General Office of the State Council on Printing and Distributing the Plan for Promoting the Settlement of 100 Million Non-Resident Population in Cities	2016	
中共中央和国务院关于稳步推进农村集体产权制度改革的意见	Opinions of the Central Committee of the Communist Party of China and the State Council on Steadily Promoting the Reform of Rural Collective Property Rights System	2016	
中共中央国务院关于落实	Several Opinions of the Central	2016	

发展新理念加快农业现代化 实现全面小康目标的若干意见	Committee of the Communist Party of China and the State Council on Implementing the New Concept of Development and Accelerating Agricultural Modernization		
Housing System			
国务院关于深化城镇住房制度改革的决定	Decision of the State Council on Deepening the Reform of Urban Housing System	1994	
国务院关于进一步深化城镇住房制度改革加快住房建设的通知	Notice of the State Council on Further Deepening the Reform of Urban Housing System and Accelerating Housing Construction	1998	
住房租赁和销售管理条例	Housing Leasing and Sales Management Regulations	2018	
Local Regulations			
深圳特区土地管理条例	Shenzhen Special Administrative Region Land Administration Regulations	1988	
重庆农村土地交易所暂行管理办法	Interim Measures for the Administration of Chongqing Rural Land Exchange	2008	
长江三角洲城市群发展规划	Yangtze River Delta urban agglomeration development plan	2016	
北京市共有产权住房管理暂行办法	Interim Measures for the Administration of Shared Housing in Beijing	2017	
北京城市总体规划(2016年—2035年)	Beijing City Master Plan (2016-2035)	2014	

Annex 2

Population and migration in China, million persons

Year	Total population	Urban population	Rural population	Population with urban Hukou	Migrant population	Migrant workers
1949	542	58	484	94	-	-
1950	552	62	490	91	-	-
1951	563	66	497	87	-	-
1952	575	72	503	83	-	-
1953	588	78	510	87	-	-
1954	603	82	520	92	-	-
1955	615	83	532	93	-	-
1956	628	92	536	100	-	-
1957	647	99	547	106	-	-
1958	660	107	553	122	-	-
1959	672	124	548	136	-	-
1960	662	131	531	137	-	-
1961	659	127	532	124	-	-
1962	673	117	556	113	-	-
1963	692	116	575	116	-	-
1964	705	130	575	117	-	-
1965	725	130	595	121	-	-
1966	745	133	612	123	-	-
1967	764	135	628	126	-	-
1968	785	138	647	126	-	-
1969	807	141	666	124	-	-
1970	830	144	686	127	-	-
1971	852	147	705	134	-	-
1972	872	149	722	136	-	-
1973	892	153	739	140	-	-
1974	909	156	753	141	-	-
1975	924	160	764	143	-	-
1976	937	163	774	142	-	-
1977	950	167	783	147	-	-
1978	963	172	790	152	-	-
1979	975	185	790	162	-	-
1980	987	191	796	168	-	-
1981	1,001	202	799	174	-	-
1982	1,017	215	802	179	-	-
1983	1,030	223	807	184	-	-
1984	1,044	240	803	197	-	-
1985	1,059	251	808	211	-	-
1986	1,075	264	811	209	-	-
1987	1,093	277	816	213	-	-
1988	1,110	287	824	222	-	-
1989	1,127	295	832	231	-	-
1990	1,143	302	841	236	-	-

1991	1,158	312	846	241	-	-
1992	1,172	322	850	250	-	-
1993	1,185	332	853	260	-	-
1994	1,199	342	857	273	-	-
1995	1,211	352	859	282	-	-
1996	1,224	373	851	291	-	-
1997	1,236	394	842	299	-	-
1998	1,248	416	832	305	-	-
1999	1,258	437	820	312	-	-
2000	1,267	459	808	322	121	-
2001	1,276	481	796	332	-	-
2002	1,285	502	782	349	-	-
2003	1,292	524	769	374	-	-
2004	1,300	543	757	391	-	-
2005	1,308	562	745	409	147	-
2006	1,314	583	732	421	-	-
2007	1,321	606	715	431	-	-
2008	1,328	624	704	440	-	225
2009	1,335	645	689	450	-	230
2010	1,341	670	671	460	221	242
2011	1,347	691	657	471	230	253
2012	1,354	712	642	480	236	263
2013	1,361	731	630	491	245	269
2014	1,368	749	619	504	253	274
2015	1,375	771	603	548	247	277
2016	1,383	793	590	570	245	282

Annex 3

The regression result by OLS method

Variables	Communica tion	Fair	Happiness	Disputes	Satisfaction
Hukou	0.2984*** (0.0155)	-0.0291*** (0.0094)	0.0267*** (0.0065)	0.0310*** (0.0113)	0.1035*** (0.0162)
<i>Political status</i>	0.0904*** (0.0190)	0.0536*** (0.0115)	0.0774*** (0.0080)	0.0146 (0.0138)	0.0592*** (0.0197)
<i>Sex</i>	-0.2587** (0.0412)	-0.0384 (0.0252)	0.0500*** (0.0176)	-.0575* (0.0304)	-0.1491*** (0.0433)
<i>Insurance</i>	0.0882** (0.0397)	0.0215 (0.0243)	0.0353** (0.0169)	0.0843*** (0.0187)	0.0307 (0.0267)
<i>Income</i>	1.86e-07* (7.16e-08)	4.55e-08 (4.42e-08)	9.09e-08*** (3.08e-08)	1.22e-07** (5.32e-08)	1.04e-07 (7.58e-08)
<i>Class</i>	0.0172*** (0.0057)	.0358*** (0.0034)	0.0425*** (0.0023)	0.0476*** (0.0041)	0.0947*** (0.0059)
Cons	2.9870*** (0.0910)	2.9894*** (0.0558)	3.3885*** (0.0389)	3.2222*** (0.0644)	2.2346*** (0.0918)

Résumé substantiel en français

L'industrialisation et l'urbanisation rapides de la Chine ont été provoquées par un mode de développement déséquilibré: attirer des travailleurs migrants à bas prix dans les zones rurales et imposer des terres agricoles à la campagne, en les transférant à des prix constructifs. Les travailleurs à faible coût et les terres issues de la réglementation en vigueur ont été utilisés pour subventionner un parc industriel afin de promouvoir le niveau industriel et urbain des villes, ce qui a contribué à la croissance rapide de l'urbanisation des villes chinoises.

Cependant, récemment, la Chine est entrée dans la «nouvelle norme» - une croissance plus faible et une transition économique. Celles-ci ont été causées par la hausse du coût de la main-d'œuvre et par la flambée du prix du terrain, alors que le régime de la terre et de la résidence ne pouvait pas supporter l'augmentation du prix des facteurs. L'ancien modèle de développement urbain se heurtait à des problèmes économiques et sociaux causés par le régime dépassé, tels que les bulles de logements, les troubles de masse et les conflits résidents-immigrants. Dans le même temps, les recettes fiscales industrielles et foncières ne pouvaient pas supporter les obligations de dépenses du gouvernement local. Au contraire, le gouvernement local devait assumer une part importante du coût de la citoyenneté des immigrants et supporter la lourde dette promise par des revenus fonciers insoutenables. L'ancien modèle de développement ne se poursuivra pas et le mode de développement de la ville doit être changé.

Le système foncier non orienté vers le marché a entraîné la création de bulles immobilières dans les grandes villes, les terres ayant été restreintes à des limites d'utilisation, et le gouvernement local a dû réaliser la citoyenneté des travailleurs migrants à un coût élevé lorsque le dividende démographique était épuisé. Le mode de développement de la ville doit alors être transformé en un système plus équilibré par les réformes économiques. Cette thèse analyse la transition urbaine dans le cadre de trois réformes: la réforme fiscale, la citoyenneté des travailleurs migrants, la réforme du système d'utilisation des terres.

La première partie de la thèse est la revue de la littérature. Elle évoque les liens entre industrialisation et urbanisation, plus délicats à maîtriser en Chine que dans les pays occidentaux en raison de son essor industriel récent et particulièrement rapide. La question du coût de l'accès à une citoyenneté pleine et entière pour les travailleurs migrants est également posée et en partie chiffrée. Par ailleurs, l'auteur évoque les théories relatives à la stratification sociale et à la notion de classes, en comparant les points de vue de Marx, Weber et Durkheim, avec des études plus récentes et spécifiquement orientées sur le contexte chinois. Enfin, les aspects d'intégration sociale et de capital social sont abordés, assez rapidement malgré leur rôle incontournable dans la problématique de cette recherche doctorale. Cette partie s'achève avec une sous-section dédiée à la méthodologie relative à la collecte des données, tant qualitatives - avec des entretiens- que quantitatives, au moyen de questionnaires et de la base Chinese General Social Survey (CGSS).

La deuxième partie borde le problème de la dualité rural/urbain de la société chinoise. L'étude de Li Qiang datant de 2005, il serait intéressant de savoir dans quelle mesure la structure socio-économique de la Chine. La description du système de Hukou et de ses implications professionnelles, sociales et financières est bien située dans son contexte historique depuis 1949, tout comme l'évolution des lois relatives à la propriété foncière. Cette partie conclut de façon pertinente que le coût social du système du Hukou excède à présent les bénéfices qu'il procure avec la présence des travailleurs migrant dans les villes. Le développement urbain de la Chine doit donc impérativement se transformer.

La troisième partie décrit les principales raisons qui conduisent le modèle actuel d'urbanisation dans une impasse. L'auteur met l'accent sur le risque de spéculation immobilière, le manque de terres arables à la campagne, la raréfaction des espaces constructibles en ville, l'endettement croissant des collectivités locales, et le coût d'accès des migrants à une citoyenneté urbaine. Concernant cette dernière, il serait utile de fournir des ordres de grandeur en liaison avec ses différents composants. La synthèse des objectifs variés des parties prenantes constitue un effort de clarification méritoire face à une situation complexe aux enjeux sociaux majeurs.

La quatrième partie illustre la situation de quatre villes chinoises sous la forme d'études de cas. L'exemple de Beijing est emblématique des difficultés liées au gigantisme des capitales. Quelques données fiscales, économiques et budgétaires auraient pu compléter l'analyse dans une optique financière. En effet, les raisons de la concentration de population dépassent les deux points avancés.

Le cas de Shenzhen est quant à lui spécifique à l'essor vertigineux de cette ville en 40 années. Il serait intéressant de comprendre jusqu'à quel point la gestion informatique de l'urbanisme dans le cadre de la « ville digitale » du district de Bao'an a pu contribuer à la maîtrise des coûts liées aux Hukou et aux conditions de vie de la population « flottante ».

A l'opposé de ces deux villes tentaculaires, Shaoxing, qui reste sous le seuil de 5 millions d'habitants, a pu stabiliser sa proportion de non-détenteurs de Hukou juste au-dessus de 10%. Et la politique d'accueil des « talents », ou personnes formées, ne risque-t-elle pas d'accroître la dualité sociale, la frontière urbain/rural devenant une limite diplômé/non diplômé.

Dernier cas étudié, la ville de Puyang présente un tableau marqué par le déclin de sa population, en raison de l'épuisement des ressources pétrolières et gazières qui ont assuré son développement. La menace pour cette agglomération réside dans un déséquilibre démographique généré par le départ d'hommes jeunes allant travailler dans d'autres villes conjugué à un vieillissement dont il faudra assurer le financement.

La cinquième partie propose des pistes de transformation du modèle actuel de gouvernance urbaine. L'auteur se montre favorable à une égalisation des droits de l'ensemble des citoyens, quel que soit leur lieu de résidence d'origine, et à une prise en charge partagée des coûts qu'une telle décision induit. Une transformation de cette envergure implique une évolution de la politique gouvernementale en termes de services publics, de propriété foncière, de logement, de protection sociale et de marché du travail, en vue d'une meilleure inclusion sociale. L'ensemble est bien argumenté et les différents aspects présentés mériteraient d'être chiffrés afin d'évaluer l'horizon de leur faisabilité.

L'étude a pour but de discuter de la fin du modèle de développement urbain inhérent à la Chine et de la voie qui mène au développement urbain futur. Cette recherche explique en détail le mode de développement urbain traditionnel chinois et le dilemme de la transformation par le biais d'une recherche documentaire juridique et de déclarations de cas urbaines typiques. Combiné à la réflexion globale sur le développement urbain de la Chine, cette recherche propose un changement fondamental du développement urbain futur de la Chine.

La logique de la priorité de la Chine en matière de développement des villes a commencé au début de la fondation de la République populaire de Chine, lorsque la politique de subvention des villes en zones rurales a été mise en œuvre pour mettre en place des stratégies de rattrapage économique. L'approche spécifique de ces politiques consiste à abaisser artificiellement le prix des produits agricoles, à augmenter le prix des produits industriels. Afin de maintenir cette différence de prix afin de subventionner le développement urbain et le développement industriel, un système d'enregistrement strict des ménages a également été mis en place. À ce stade, le système dual de la Chine urbaine et rurale a été initialement formé.

Par conséquent, le modèle de développement urbain de la Chine doit être transformé, sinon le degré de transformation ne suffit pas. La plupart des villes comptent encore sur des modèles traditionnels pour se développer. Les villes doivent réformer le système fiscal et fiscal, changer le modèle de développement traditionnel consistant à compter sur la vente de terres, réduire les dépenses en capital et augmenter le soutien social des travailleurs migrants. La ville doit également réformer en profondeur le système d'enregistrement des ménages afin que tous ses résidents puissent bénéficier d'une protection sociale. Afin de ne pas intensifier la contradiction entre les résidents d'origine et les immigrants urbains, les administrateurs de la ville doivent renforcer les consultations politiques entre divers groupes, encourager les associations de travailleurs migrants et promouvoir la participation politique des travailleurs migrants.