

# Neoliberal Reform, Welfare Regimes, and Urban Governance: the Case of Affordable Housing in Chinese Cities

## Abstract

The role of the state and the market in welfare provision has been under constant debate in both academia and policy practice. In particular, housing always seems to be a “wobbly pillar” under the welfare state, with many controversies over whether it should be regarded as a pure commodity or as a right (Torgersen, 1987; Malpass, 2003; Kemeny, 2003). In China, the market reform since 1978 has been accompanied with rapid urbanization and commercialization of the urban housing market, which is often viewed as similar to the neoliberal urban reforms in other developing countries. Urban housing, while serving as an engine for local economic development and an important channel for government finance, has become increasingly unaffordable for low-income urban residents as well as rural migrants. Affordable housing programs piloted and implemented at local level, however, vary significantly in their institutional designs and received at best mixed results in achieving their affordability, equity, and integration goals.

This paper explores the blurring boundaries between the state, market and society in the process of housing market reform in China. In particular, I argue that the current explanations of neoliberal economic reform and urbanization, as well as those tackle the fiscal and political dimensions in central-local relations are unable to explain variations in affordable housing program outcomes across Chinese cities. By disintegrating the structural concept of “state capacity” in welfare state literature and looking at the agency

of municipal governments and their governing capacity in providing affordable housing, this paper seeks to examine under what conditions local governments are likely to prioritize equity and integration goals in affordable housing.

## Introduction

{ In progress }

This paper explores the blurring boundaries between the state, market and society in the process of housing market reform in China, and the resulting changes and variations in local affordable housing approaches across time and localities. In particular, I argue that current explanations that focus on the unified logic of neoliberal urbanism or undermined state capacity in welfare provision, as well as those only take into direct political and fiscal impact of central government are unable to explain the significant variations in affordable housing program outcomes across Chinese cities. Rather than studying welfare regimes primarily at national level, neoliberal urban reform have created path-dependent patterns at meso- and micro-level that require us to examine the interactions between the central housing reforms, the agency role of local governments, as well as the emergence and variations of urban governance networks in local public good provision.

By dismantling and rescaling the structural concept of “state capacity” and “state-society relations” in welfare state literature, this paper seeks to examine under what conditions local governments are likely to prioritize affordability and equity goals in urban housing regimes. Local governments, as I argue, have been playing active roles in reframing policy discourses, building local coalitions and mobilize resources, as well as seeking

ways to balance between the competing objectives of economic development and redistribution for housing policies.

{Framing analysis part--how central-local discourses shift over time and differ across localities—emphasizing the agency role of local governments in reframing central policy discourses}

{Network governance part} Second, the retreat of the central state from directly supplying and funding affordable housing programs created both challenges and opportunities for local governments. On the one hand, the shortage of central funds resulted in short of supply in earlier period of reform, when local governments were not incentivized and societal actors are not ready or not allowed to participate. However, this situation has significantly improved in recent years in some localities, due to diversification of supply and funding sources and increased participation by non-state actors. The emerging governance networks in local affordable housing provision, nevertheless, may differ significantly from those emerged in western context. The state actors, if increasingly relying on private and nonprofit actors, still remain at the center of the network. On the other hand, power asymmetries may exist not only between state and non-state actors, but also between private market actors and community actors in certain cases.

{Outcome part} These differences in local governing institutions of urban housing, as I argue, have resulted in variations in affordable housing program outcomes across cities, in addition to political and fiscal impacts from the central government.

In particular, this paper seeks to provide some preliminary answer to the following questions:

- What explains the variations in affordable housing policies both in quantity (e.g. percentage completed in proportion to central government target) and quality (e.g. with regard to qualitative goals such as inclusion and integration) across Chinese cities?
- What explain the changes (or lack of changes) in relative priorities of these affordable housing programs overtime?
- Is there difference in the role affordable housing play in the framework of “public service equalization” across localities? If so, what explain(s) these variations?

### Why Affordable Housing in Urban China

As the “wobbly pillar” under the welfare state, debates over housing as a right versus as a commodity long existed in Western context. The emergence of Neoliberalism contributes to the marginalization of housing in the welfare state literature. Rather, it has been increasingly seen as an economic problem and a localized issue, as neoliberal reform often targets at privatization and commercialization of housing market, while driving policy-making and implementation down to local level. Interestingly, however, the “socialism” part of the political discourse in Chinese context makes it difficult to completely peel off housing from the welfare regime, despite a similar process of neoliberal housing market reform in China. With rising economic social inequalities, the central government increasingly emphasize affordable housing as one of the major pillars of the welfare regimes under the “Harmonious Society” framework.

In addition, housing in China and elsewhere serves as an important linkage between welfare state and economic development. On the one hand, public choice literature have indicate a clear tradeoff between these two goals, with a distinction

between a progressive approach and a developmental approach in local governance, policymaking, and implementation. On the other hand, recent policy innovations in social and public housing programs across the world views affordable housing as an important complementary to private market housing, with the emergence of new institutional arrangements that can correct market failures while achieving both efficiency and equity goals.

In China, housing often serves as a cornerstone of local economic development, and creates connections across key local governance issues such as land use and public finance. The drive for developmental approach is clearly strong in most cases, with often lack of incentives for more progressive approaches. Nonetheless, policy innovations elsewhere over time provides China a variety of policy options to borrow and adapt from. It is thus interesting to examine the variations in design, implementation and outcomes of these local affordable housing programs, as well as the long-term implications for vulnerable groups such as the urban poor (e.g. unemployed, below poverty and aging) as well as rural migrants.

Finally, tracing the evolution of affordable housing policies in China as well as evaluating the success or failure of current programs in relation to the target of inclusive cities can provide both theoretical insights and policy implications to other areas of social policy reform in China. One of the emerging concepts in recent social policy reform discourses is the idea of “public service equalization”, with the aim of equalizing public services to all residents including rural migrants in urban areas, as well as mitigating the current urban-rural gaps that were long legacies of the Hukou system (the Household

Registration System). It is interesting, however, to look at to what extent these changes in policy discourses have been reflected in actual policy practices.

## Literature Review

{ In progress—outline below; literature to be inserted }

Current studies while either address the national policy reform or separate local case studies lack sufficient theorization in relation to the comparative political economy literature that look at the welfare state and state-society relations. On the other hand, the comparative welfare state literature is not satisfying in explaining the dynamic relationship between state capacity, decentralization and welfare reform in China. Furthermore, I argue that there is a significant local/urban dimension that is often overlooked in the welfare state literature, which requires us to move beyond the disciplinary borders of political science, urban studies and public economics.

First, the welfare state literature has primarily focused on national level policies and often have a static view of institutional structure, state capacity, and state-society relations. This sometimes creates problems when we attempts to apply some of the theoretical frameworks into Chinese context, where everything appears to be more dynamic and fluid. In the case of housing, policy changes are frequent at both central and local level, with great flexibilities are given for piloting and experimenting different programs.

Second, the urban government literature while provides some useful insights cannot be applied directly without carefully examination of national and local contexts. The urban regime analysis, as well as the recent governance network approach, have their origins in the traditional interest group politics in American context. While these

approaches can be useful in examining the interactions of interest and institutions, there is often insufficient consideration of the power asymmetries between state and non-state actors. This type of power dimensions can be quite prominent in Chinese context, and may provide some explanation on the lack of participation by community-based organizations in comparison to successful cases in developed countries.

Similarly, the emerging civic capacity approach while can be a future direction for policy reform have limited applications in current local contexts. The institutional structure in most localities are still quite top down, and one can reasonably doubt if there is any systematic public participation by target populations in policymaking and implementation, with the exception of technological improvements that seeks to improve transparency and facilitate public inquiry.

Finally, the normative assumption based on western democracy is strong in all these literature, with creates obstacles to transplant either the theories or the policy practices in Chinese contexts.

## **Methods and Data Collection**

This research will adopt a multi-level approach to examine both changes in policy discourses as well as variations local policy outcomes through subnational comparisons. The first part of the paper will traces the trajectory of national housing policy reform since 1978, with an emphasis on affordable housing policy changes in the period after 1998 when a complete marketization took place across Chinese cities. Discourse analysis will be used to examine the policy logic, as well as patterns of convergence or divergence between central and local policy discourses. It will examine patterns of changes in relation to a shift from government responsibility to local, societal and individual

responsibility, as well as whether there is a recent change to reemphasizing government role in providing affordable housing. This section will use data sources such as central and local housing authority websites, Housing Policy Online ([www.fzzx.cn](http://www.fzzx.cn)), as well as national and local libraries.

The second part of the paper will focus on a comparative case study of two cities, where there are significant differences in affordable housing policy outcomes. Some descriptive statistics as well as policy descriptions will first be used to introduce the characteristics, then more refined process-tracing techniques and potentially network analysis will be used to look at changes or lack of changes in local policy reform over time. Potential data sources include local policy documents, interviews with local officials, as well as interviews with other stakeholders from both supply and demand side of affordable housing. Finally, the conclusion part will summarize the findings and discuss future research plans, including a potential cross-region regression analysis of affordable housing outcomes across major Chinese cities.

Both quantitative and qualitative measures will be used for the dependent variable. The quantitative DV will be measured by local housing affordability index, as well as the percentage of local affordable housing in relation to the central government target. The qualitative DV will be the type of affordable housing program, which is broken down to three categories: developmental, progressive, and developmental-progressive. The degree of progressiveness will be indicated by two major criteria—inclusion and integration. The inclusion indicator will be look at the coverage and eligibility criteria changes overtime, while the integration measure will look at whether



the sites of these affordable housing programs are remote or segregated from other types of housing developments.

The key explanatory factors on state capacity and state-society relations will be as follows: 1) state capacity will be measured by central fiscal transfers, local fiscal capacity indicated by internal fiscal conditions, as well as the type and level of involvement of State-Owned Enterprises (SOEs); 2) degree of involvement by private market actors; 3) participation of community-based organizations (CBOs) or non-governmental non-profit organizations (NPOs); as well as 4) variables that capture the structure of affordable housing networks at local level, with consideration of both the number of participants, the multiplicity of participation mechanisms and potential power asymmetries. A number of control variables will also be included, including local demographics, housing market conditions, migration patterns, and geographic regions.

Data will be collected through Yearbooks, policy documents, policy interpretations, and other information available on Department of Housing and Urban-Rural Development (HURD) and local housing authority website as well as through supplementary local archival research and interviews with central or local officials if applicable.

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