

GET YOUR FILTHY PAINTBRUSH OFF MY WALL!

The Chinese, traditionally, have preferred portable wealth forms: cash, jade, silks – china even. The historical correlative for this is centuries of political incertitude. China's past is characterised less by unified nationhood or congregations of city states than a restless patchwork of warring kingdoms, amongst which dominance washed back and forth with successive waves of invasions. The name "China" itself, or "Zhong hua" in the pinyin transliteration, derives from the older term "Zhong yuan", meaning "centre land": less a country than the area in which Chinese civilisation played itself out. Within this context, being materially dependent on a physical location – i.e. investing all your money in a piece of property which you can neither hide nor take with you when you go – was considered unwise. Much better to be like a tortoise, and carry your home with you on your back.

China achieved nationhood in its current form through Mao Zedong, and though it remains inconclusive (the Taiwan question is unresolved, and separatist movements are active in Tibet and Xinjiang), his legacy is a largely comprehensive sovereign country. Yet although the Communist Party's People's Republic, declared in 1949, gave a certain solidity to the state, that state's first actions were further rounds of property seizures and redistributions, offering little by way of alleviation for the embattled individual owner.

The 1950s saw all land passing into the hands of official communes, which managed quotas and organised labour. The opening up era, inaugurated in 1978 by Deng Xiaoping, then introduced gradual measures to devolve control back toward inhabitants. This started with farmers being allowed to own and trade surpluses produced on the land they worked, and from this developed step by step some of the qualities of ownership, though peasants crucially are still unable to borrow against or sell land attributed to them. In a move to increase land use efficiencies in urban areas, a system of land use rights was ushered in, by which the state continued to enjoy ultimate ownership, but private companies and individuals were able to buy, and later sell, leases. The establishment of land leases led to a better defined sense of land values, and a keener imperative to use land effectively. It equally created a market for profitable land exchange, and hence lucrative opportunities to exploit underdefined ideas of ownership.

In its rawest form, this has resulted in local official-private developer partnerships, by which state power to write and distribute leases becomes a tool for for-profit real estate ventures. Typically a closed door agreement is made over a potentially valuable piece of land, land use rights are conferred, and the previous occupants summarily moved out. The process of eviction is often remarkably brutal: a "chai" sign, meaning demolition, is

painted on the wall of a house, and thus the occupants know it is time to move on. The lack of an operative formal structure to manage compensation packages, or even determine pre-development land values, allows the local official-private developer partnership effectively to sell the land to itself on its own preferred terms. Compensation, if forthcoming at all, is rarely regarded as equitable.

Benefits for the developer accrue well beyond a terrifically enhanced profit margin. Materially interested local government facilitates massively accelerated planning procedures, as well as on-side infrastructural development and a highly favourable regulatory environment. At the same time, the local official stands to win on multiple levels, including increased tax revenues, better economic growth figures to report upwards to central government, boosted employment, and personal financial gain. Thus mutually incentivised, entrepreneurial mayors and state-blessed enterprise have together been a driving force behind China's recent transformation from the "sick man of Asia" into today's nascent superpower.

There are however three substantial drawbacks to this model, and as China moves beyond the "low-hanging fruit" stages of its early growth (focused on cheap land-cheap labour deals for foreign investors) these will claw deeper into any further rise. Firstly there is the endemic corruption engendered by such a system, where low levels of transparency combine with clear opportunities for profit. Secondly the market itself is significantly compromised when regulators play an active hand, distorting information flows and weakening the accuracy of decision-making. Thirdly there is the unceasing instability felt by individual property owners, who continue to save heavily in portable cash forms (some 40% of household income), while remaining leery as to what will happen to their home.

The bubbling of this instability is something which the Party is obliged to monitor continuously and adjust for carefully. Over 70,000 protests were officially reported in China in 2006 (the real number may be much higher), the primary cause of which was land disputes – essentially outraged locals raising their voices about being moved. Moreover, as China grows its middle class, its leadership is faced with an ever larger body of people who are not part of the official elite, and yet have significant assets. With these come demands for their protection. The middle class dream is rooted strongly in the ideal of a family with a child in a house, and this has bonded hard both to the new real estate market, and the new apartments coming on-stream. Middle class homeowners are the backbone of China's hopes to develop a fully modernised consumer society, and maintaining their confidence in process is integral to sustaining the urban boom.

The need to satisfy this group's calls for stability of ownership led in 2007 to the introduction of new property rights laws, attributing to the individual the same level of protection as that enjoyed by the state. This is widely regarded as the single most significant legal change since 1949. Moreover, it has been followed up in 2008 by a move to bring land use rights and the rights transfer system to the rural sector. Implementation remains a problem, and China's legendary central / local divide and layers of obfuscating bureaucracy mean abuses and protest flare daily. But increasingly the daubers of "chai" signs are being met with the cry, 'Get your filthy paintbrush off my wall!'

Adrian Hornsby

26.08.08