

Evolution of Chinese ghost city: paradigm shift or vicious cycle? The case of Changzhou

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Since 2010 several Chinese cities have been labeled as "Ghost cities" because of the high vacancy rate in commercial housing. Although each ghost city has its own circumstances, we can still identify some common ground. Most of these cities are third-tier cities of which the local economy is heavily dependent on real estate development. However, the attractiveness of these cities is not comparable to first- and second-tier cities in terms of job opportunities, income level and public service. This paper examines the evolution of one of the ghost cities—Changzhou during the last decade. Changzhou is a third-tier city located at the heart of the Yangtze River Delta and the last decade is a critical period of the formation and transformation of the phenomena. The objective of this research is first to comprehend the formation of ghost city and then to analyze the possible scenarios of future transformation of ghost city.

Based on existing literature and our field work in Changzhou, we attempt to explore the forming process of ghost city which is closely related to the macroeconomic context, the urban governance pattern and the city planning. These three elements interweaved and contribute jointly to the phenomenon.

First, the macroeconomic context of last decade is conducive for the development of real estate sector in Chinese cities. In 2003, a state Council circular letter marked a turning point in real estate development in China. The letter proclaimed that the real estate sector constituted 'the pillar industry of the national economy' and that 'commercial housing was designated as the type of housing available for the majority of urban households' (State Council, 2003). Consequently, in Changzhou, like in other Chinese cities, the local real estate market became prosperous with the dramatic increase both in the value of investment and housing prices until the global crisis of 2008. Despite the short decline between 2008 and 2009, the market was

booming again due to the intervention of both national and local governments. As a result, a new round of commercial housing development took place in Changzhou. The investment real estate development of the city increased by 46% from 2009 to 2010. In 2010, per capita housing area of urban residents reached 34.7 square meter in Changzhou and the homeownership was more than 90%. At the same time, as a third-tier city, Changzhou does not have important speculative demands. The housing supply has gradually exceeded the housing demand of local urban population.

Second, the massive investment in real estate sector can be attributed to the pro-growth pattern of urban governance. During the last decade, economic growth remains the central concern of local governments, because the political existence and advancement of local governors are still determined by the central state according to their performance which has been largely measured by economic growth rates and urban physical changes (Zhu, 2005). Thus, the priority has been given to the urban and housing policies supporting economic growth. Under this pattern of urban governance, a market mechanism combines with strong government control in Chinese cities. The government functions as active market agent in its own right. In the case of Changzhou, the real estate market is seemed as the driving force of local economy. By using its institutional forces, the local government is deeply involved in the "control and adjustment " of local real estate market so as to ensure its stability and prosperity. Once the market shows the signs of decline, the local government will take measures like housing purchase allowance to improve the situation.

Third, the city planning model based on new district creation is problematic. In the case of Changzhou, the ghost city phenomenon appears mostly in its new districts in the south and north of the city core. Indeed, the planning of new district is a common way of Chinese third-tier cities to promote the urbanization process. The underlying cause of this city planning model is the land-based public finance. After the tax sharing reform in 1994, municipal governments are allowed to own the revenue derived from land lease transaction to meet ongoing public expenditure. Since then, the financing of urban infrastructure and facilities has deeply depended on this revenue which accounts for a substantial share of municipal governments' total revenue. Thus, local officials are enthusiastic about urban expansion which transforms collectively owned

rural land into state-owned urban land and bring revenue once leased to developers (Wu, 2007). In recent years, China's local-government debt has piled up and reached a high level. To some extent, this debt problem has boosted the urban expansion which is supposed to bring more revenue to local government.

After having a better understanding of the forming process and reasoning of ghost city, we can analyze the possible scenarios of future transformation of ghost city. In 2014, China's State Council released the "National New-type Urbanization Plan", which aimed to transform the land-centered and investment-centered urbanization into an human-centered one. In this context, Changzhou has slowed down the land use right transaction and suggested the combination of industry and city (Chancheng ronghe) as planning strategy to balance the industrial and residential land use of the city. However, if the evaluation of local governors centered on economic growth rate and the land-based public finance are not to be reformed, the paradigm shift is unrealistic. The ghost cities can hardly break the vicious cycle in the near future.

Reference

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