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Urban Housing in China: Issues and Policies

by

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I. Introduction

1. Structure

Although urban housing situation in China has many problems similar to that of other developing nations such as overcrowding, poor infrastructure and low living standard, it has some unique characteristics both good and bad that are worth studying. This paper analyses the housing issues and policies which resulted in those characteristics in order to provide insight into the essence of planning in China since the founding of the People's Republic of in 1949. The paper is divided into six parts. Part I, which is this part, states the purpose of the paper and gives brief summary of the housing situation in China. Part II talks about the types of housing in historical, present and perspectives. Part III analyses housing policy making in terms of biased investment strategies, low rent policy and rising urban standard. Part IV describes characteristics of neighborhood, public service and employment structure in China and compares them to that of the other countries. Part V is about issues and problems of housing commercialization. Part VI draws a conclusion. To present the data and statements in the paper realistic if not perfectly precise, the author tries to provide as many facts as possible from secondary source and firsthand experience and to compare China's housing situation with that of the west and other developing countries throughout the paper.

2. Summary

With a quarter of the world's population occupying less than 7 percent of the total land area of the world, the amount of space which can be made

available for housing the Chinese must of necessity be very limited when one considers that much of the land area of the country is unsuitable for human settlement because of extreme environmental conditions and that the majority of the population reside in the eastern half of the country which is also the best agricultural area. Yet, this is where many of the largest Chinese cities are located, all of which have experienced rapid population growth since the founding of the People's Republic of China in 1949.¹

The urban population is highly concentrated in large cities. 62.8% of the urban population of China are in the cities (with over half a million each) and 39.1% in metropolises (with over one million each). There are 43 large cities in China of which 15 are metropolises. China now has the largest number of cities and metropolises in the world.² The density of urban population in China is extremely high, especially in large cities. In Shanghai's urban area the density has reached about 40,000 persons per sq.kilometer, much higher than the highest density of the United States found in Bronx, Brooklyn, and Manhattan boroughs of New York City, although not as high as on Hong Kong Island. At Caoyang in Shanghai and the Fengsheng Neighborhood in Beijing, the population densities are 36,000 and 35,319 persons per square kilometer respectively. This means that the per capita urban space in these two urban neighborhoods is only about 28 square meters. In Shanghai's old town, a bustling commercial center with preindustrial spatial characteristics where the building space on the ground level is occupied by small shops and the space on the second floor is used mainly for residential quarters, the population density has reached the remarkably high level of about 1,500 persons per hectare. Thus there is only 6.75 square meters of urban space per person.

The density of population at Shenyang, a heavy industrial center with about three million urban residents, is 4.8 times greater than that of

Chicago and 5.8 times higher than the population density of Greater London, which in 1967 had 7.88 million people with a density of 4,500 persons per square kilometers. Guangzhou, the busiest commercial port city in South China, is perhaps the most congested city in the nation. Its population density of 57,142 persons per square kilometer is eight times greater than that of Queens, New York.

China's housing situation changes along with pendulum of the change hand of power and the change of political and economic policies in different times. Since the founding of the People's Republic in 1949, China has experienced severe shortages of housing space, deteriorating of housing conditions, and overcrowding. The population of China increased to 1.04 billion in 1982 from the 542 million in 1949. 20 percent of these 1.04 billion people live in urban areas. From 1949 to 1976, as Mao Tsetung's government placed priority on industries, especially heavy industry, there was not enough money to rehabilitate old housing stock, there was few new housing development to meet the ever increasing population. With the open-door policies of the present government led by Deng Xiaoping, however, China has invested more funds in housing since 1979 and is trying to improve the general situation. ³

Nevertheless, housing remains a pressing need of China's urban population. Twenty-five years ago the Chinese aimed for a standard of six square meters of living space per capita in urban areas. But the pace of new construction has not kept up with the growth of the urban population. Thus, living space in 193 large and medium size cities in China with a population of 70 million persons is only 3.6 square meters per capita--actually a decline from the area available more than twenty years ago. At the same time, the quality of China's inherited housing stock, particularly in older cities, has been allowed to deteriorate. Maintenance has been neglected because the minimal rental fees charged by

the state have generally been inadequate to finance more than the most superficial repairs. Prior to 1952, the average floor space in urban China was about 4.5 square meters (40.5 square feet) per person (the basic measure of housing, per capita floor space, generally excludes corridor, stairways, kitchens and toilets). As the leadership decreased its emphasis on housing investment, the amount of space per person gradually decreased as well, to an average of 3.6 square meters (32.4 square feet) in the major cities--slightly less than the space occupied by a king-sized bed. The situation of urban housing has improved in recent years. The government now treats housing reform as one of the most important element in the raising standard of living and made housing construction a major priority yet overcrowding and acute housing shortages remain. ⁴

For one to understand what China did and will do with the housing shortage problem, one needs to know some basic elements about how the system of housing works in China. The following parts will discuss those basic elements in details.

II. Types of Ownership

Housing ownership in China falls into three types: private, work unit and municipal. The first type is private ownership. The government has always allowed some private home ownership since the founding of the People's Republic. But this type of housing has experienced different treatment in different political times. From 1949 to 1979, this period can be called deprivatization in housing. During the Cultural Revolution (1966-1976), private housing was confiscated and distributed to other people as public housing. Since 1979, owner occupied housing is encouraged. Today, not only the old private housing has been returned to the owners, but new owners have appeared. some of the owners lease space

to others and become landlords. Also, because of housing shortage, the government now allows the local level to try almost every means to provide housing. To encourage people to get loans to buy houses from the once public housing or build their own homes is a new practice.

Second type of housing is work unit or danwei housing which controls about 60 percent of city housing stock. The danwei means more than the meaning of the words--working unit. Psychologically it is similar to the meaning of a community in the U. S. in the sense of belonging. But danwei is different in a lot of different ways. It plays a central role in the lives of those employed there, as much a social system as an economic one. Danwei differ in size, resources, and administrative levels. To varying degrees, they run nurseries, clinics, canteens, and recreational facilities. They often approve or mediate marriages and divorces, and organize birth control programs. They may employ family members of employees in subsidiary small workshops or vegetable farms. They also provide guidelines for the distribution of available housing stocks and decide who occupies the housing under their control.

This type of housing includes large estates or compounds adjoining a factory, bureau, or school and detached housing units scattered through the city. Most people in urban China belong to some form of work unit; examples include bureaus, universities, schools, factories, large department stores, mass media, institutes, and others. Thus, one's ability to find adequate housing may depend on the danwei's size and its available resources. Allocation of danwei housing bases on work experience or seniority, number, ages, and sexes of children, the presence of elderly parents and so on. Severe limits of new housing stock and long waiting periods for the next available unit create a situation where families of three generations commonly share a two-or three-room apartment or house. After 1979, however, work units realize the importance of

housing for their employees. They may spend more revenue to constructing new housing, or buy apartments from outside for their employees. Since 1979, this type of housing has become the major thrust of new housing development. Numerous new housing estates have been built either directly by the state which then allocates them to work units for employee housing or by the work units themselves, especially large industries with state subsidies.⁵

The last type is municipal housing which is administrated by district housing management offices. This type of housing accounts for 20 to 30 percent of urban housing. It includes buildings taken over from former private owners and newer housing built by the city. City owned housing serves mainly the needs of those people whose work places do not yet possess their own housing, and those people who are not affiliated with any formal work places. The residents pay rents to the city.

One should be noted that the above categorization is more for the purpose of administration of housing than for the purpose of market.

III. Housing Policy

Housing policy in any societies is strongly influenced by the political ideas of the government. But China is an extreme case where housing has been controlled by the central government. And the government's biased investment strategy, low rent policy can be blamed as least partially for the housing shortage problem. For many years China has paid insufficient attention to housing because Chinese planners regard urban housing as "non-productive" investment. Accordingly, urban housing construction receives low priority relative to "productive" investment such as building factories and large industrial programs. Better housing is often seen as a luxury or consumption good that detracts from the greater goal of

national productivity and growth. In practice, China, as other socialist states has skimmed on housing, providing only minimal floor space per person, spartan plumbing, and long waiting lists for new housing.

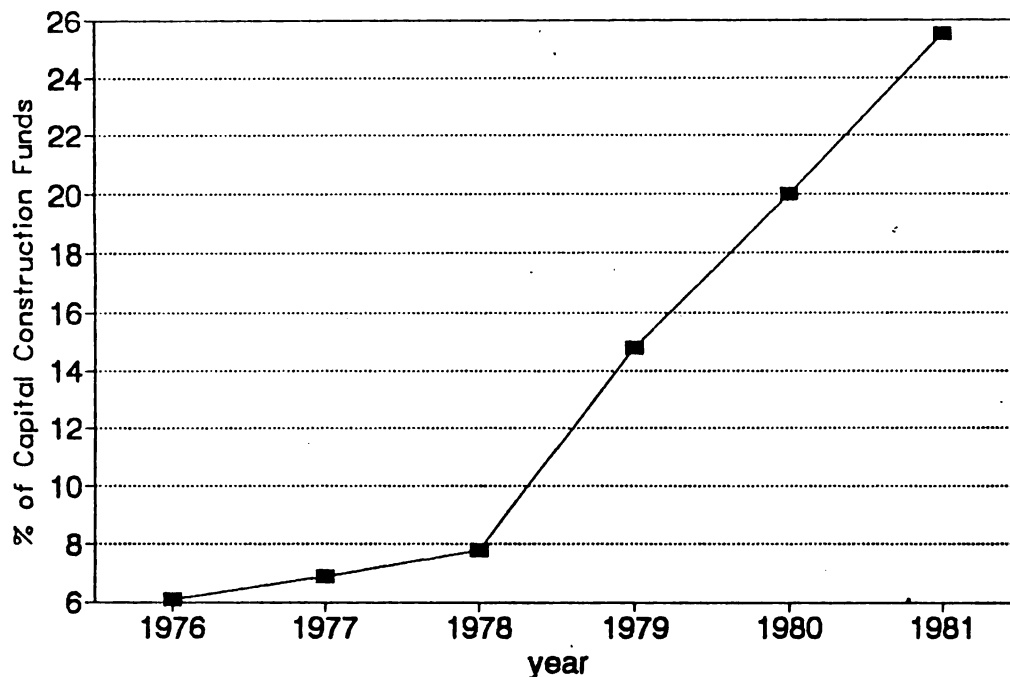
From 1966 to 1976 in particular, during the ten years of so called "cultural revolution ", little need was paid to the people's well-being and investment in housing was neglected. In the 1950's, housing accounted for 9.1% of total spending for capital construction, whereas between the 60's and early 70's it accounted for only 4.7%. Industrial development continued to receive heavy priority between 1949 and 1976. However, after the political confusion of the "cultural revolution", the Chinese government decided to pay far more attention to improving living conditions. During 1977-1979, spending on housing increased about three-fold compared with the average annual investment between 1966-1976. The outlay for housing construction was 14.8% of total spending for capital construction in 1979. From 1980-1982, the proportion for housing investment has increased from 20% to 25.4%.⁶

It should be mentioned, though, 83% of the state's housing investment goes to state-owned danwei housing. But, capital funds for housing building are offered not only by the state but also by factories, schools and other organizations which are encouraged to build houses with their own funds. Furthermore, encouragement and help is given to workers and other city dwellers to build their own homes. This method is called "building houses for private use with state assistance".

China, like other developing countries, is trying rapidly to industrialize her economy, the pursuit of which inevitably increases the overall demand for urban housing. The State Housing Bureau Chief in 1983 estimated that in order to solve the urban housing shortage problem in China, 34.5 million apartment units would have to be built each year for

10 years from 1982 onwards. This would require enormous investment on the part of the government. According to the China's Statistical Yearbook of 1981, the proportion of total capital construction funds allocated to the urban housing sector has shown a significant increase, as shown in Figure 4.

% OF CONSTRUCTION FUNDS ALLOCATED IN URBAN HOUSING



Source: Yok-shiu F. Lee. "The Urban Housing Problem in China." China Quarterly, Sept. 1988. p.400

But even with these increases in investment funding, only 16.0 million apartments units were built in 1980, satisfying only about 46 percent of the estimated demand for that year. It would appear that more than just an increase in housing investment is needed to alleviate the urban housing problem. It is caused not only by a bias in the investment policy, but also by the low-rent policy and rising housing standards. Low rent policy is a difficult issue which will be discussed later while the issue of rising housing standards is discussed here.

Simply better standards translate into higher construction costs, given a tough or slow-growth housing investment budget, the increase in housing units has constrained or even diminished at times. Since the early 1970's standards of design and building materials , as well as the quality of construction and finishing , have gradually been improved. For Another important standard for urban housing that was repeatedly upgraded from the early 1970's to the early 1980's was the construction floor area per residential unit as shown in table 1.

table 1.

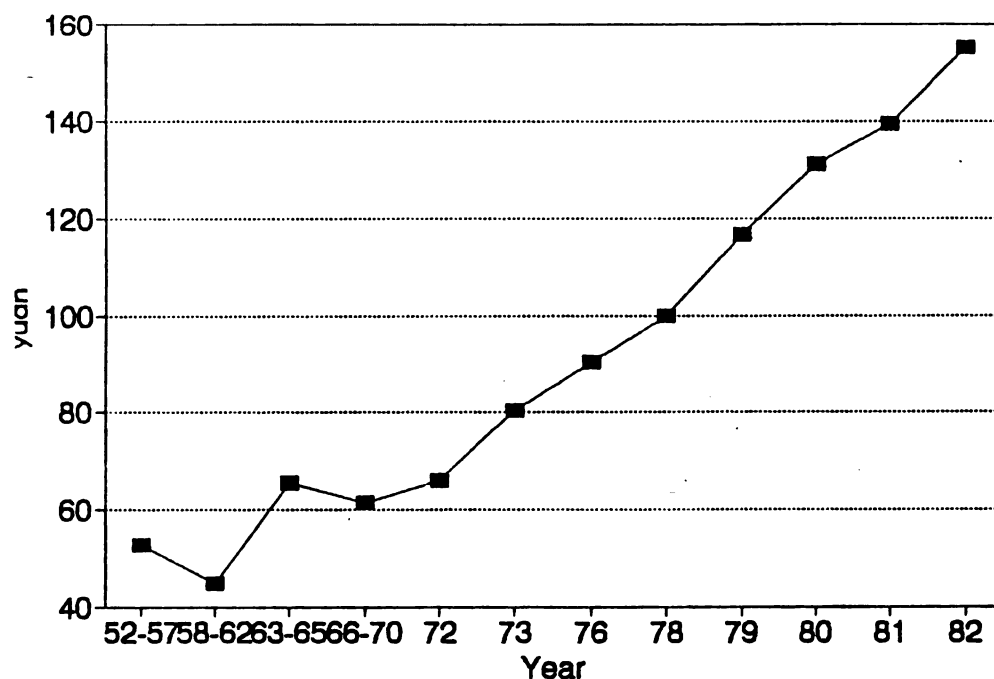
National Standards for Construction Floor Area Per Residential Unit in Urban Area (in square meters)

Year	national standards for construction floor area per residential unit in urban area(in sq.m)
1972	34
1973-76	34-37
1977	38
1978-80	42-45 type I
	50 type II
1981-82	42-45 type I
	45-50 type II
	60-70 type III
	80-90 type IV

Yok-shiu. F. Lee. " Urban Housing Problems in China" in The China Quarterly. p. 395.

According to Lin Zhiqun, chief of the State Housing Bureau, construction costs of urban housing increased steadily through the mid 1970's and climbed even more rapidly in the early 1980's. Between 1972 and 1982 the construction costs per sq. meter for urban housing rose by 135.82 per cent as shown in figure 2.

Construction Cost Per Sq. Meter for Urban Housing (in yuan)



Yok-shiu F. lee. "Urban Housing Problems in China". The China Quarterly. p.397.

This factor coupled with an expanding construction floor space per housing unit, resulted in a substantial increase in the cost of each new

residential unit. This has clearly contributed to the slow growth in the supply of new urban housing.⁷

On 24 May 1986 the State Council issued a set of "Guidelines of Technical Policy Concerning Urban and Rural Housing development ". The First guideline in this document stipulated that " strict control" would be placed on housing standards of dwellings:

For urban housing developed with state or collective investments in the (1980's) average floor area for each dwelling unit should be strictly controlled within 50 sq. meters and respectively control criteria should be worked out for the facilities and finishing as well as for investment.⁸.

The present government led by Deng Xiaoping acknowledged peoples' complaints, admitting that people's living quality had been neglected. During the winter of 1978-1979, China's leaders undertook a profound reappraisal of the Chinese economy--its success, failure, and future prospects. By the end of 1985, they had discarded the widely heralded Ten Year Economic Plan (1976-1985), which was only formally unveiled in February, 1978. In its place they adopted a drastically revised set of developmental policies, designed to cope with problems not usually associated with China: unemployment, declining housing standards, and hunger. The new "readjustment" approach, which curtails the rate of investment and raises the priority of agriculture, light industry and housing, has proved initially. ⁹

Furthermore, after much uncertainty with respect to both the future of China's reform program and its ability to control runaway growth, the 13th Party Congress in 1987 proclaimed China to be in the "primary stage of socialism", allowing flexible interpretations of reforms. So while individuals have seen impressive increases in their incomes with reform,

further increases in living standards are likely to be more moderate.¹⁰

IV. City, Neighborhood and Public Service

Chinese cities are productive entities; urban neighborhoods are heterogenous in class status and self-contained functionally and amenities are usually better than that of other developing countries.

The nature of Chinese cities has tended to change from consuming to producing. In old China (before 1949) the levels of production were very low. Many cities and towns were essentially consuming, dilapidated, and parasitic in nature. Modern industry was non-existing in many cities and towns; the small and medium-sized cities were almost invariably consumer societies with little industry and fewer than 20% of the residents in employment. Since 1949, the original commercial consuming cities and towns, under the gradual process of reform, have become industrial-commercial cities and towns. The industrial production of all cities in the country has been multiplied many times.¹¹

The following table shows the high employment rate and high employment in industry sector in Chinese cities.¹²

Table 2. COMPARISON OF SOCIO-ECONOMIC STANDARDS OF THE 15 LARGEST CHINESE CITIES AND MAJOR CITIES IN THE ASIAN PACIFIC REGION, 1981

	ave. 15 Chinese cities	Tokyo	singapore	Hong Kong	Taibe i	Bangk ok metro polis	Metro -Manila	Seoul

Population	2,980 ,000	11,64 0,000	2,440 ,000	5,150 ,000	2,270 ,000	5,150 ,000	5,930 ,000	8,680, 000
Total areas(km2)	1,814	2,155	618	1,064	272	1,565	636	605
Total area per 10,000 persons	6.1	1.9	2.5	2.1	1.2	3.0	1.1	0.7
Employment:emp loyed population per 10,000 persons	5,261	4,882	4,565	4,664	3,474	3,701	3,647	n/a
Manufacturing industry:% of total employed population per 10,000 persons	53 2,777	23 1,146	30 1,388	41 1,922	23 784	19 696	28 1,027	n/a 532
e, retailing and restaurant: total % of employed population per 10,000 persons	6 336	29 1,394	22 995	19 895	32 1,127	22 801	14 507	n/a 513

Vehicles: Number of registered motor vehicles except buses per 10,000 persons	n/a	2,337	1,616	636	2,599	1,085	716	266
Number of buses per 10,000 persons	4	13	28	11	23	26	10	17
Education: Number of students in higher education institutes per 10,000 persons	142	396	152	113	n/a	180	883	272
Health: Number of hospital beds per 10,000 persons	57	109	40	42	39	47	61	13
Number of doctors per 10,000 persons	45	18	9	8	14	9	n/a	10

Source: Victor F. S. It. 1985. Chinese Cities: The Growth of the Metropolis Since 1949.p. 47

For example, in Beijing, 1980, industrial investment occupied 70% of the total construction investment, and within the industrial sector, 90% was

in heavy industry. Of the industrial output value in 1980, heavy industry contributed 64.5%. So "heavy" a structure is uncommon among the world's capitals. In consequence, urban population increased rapidly, followed by excessive traffic, a polluted environment, shortage of water, pressure on energy supplies, and other economic and social problems.¹³ New housing simply has failed to keep with the influx of new residents into cities.

But it is interesting to know that Chinese urban housing still does not compare all that unfavorably with housing in many other developing cities where large squatter tracts mar the urban landscape. In our mid-1970's sample, the number of rooms per dwelling in China was only slightly below the average of that of other developing cities. But in Chinese cities there were fewer dwellings with just one room. And with birth control taking effect and fewer persons per household, the number of persons per room and the percentage of dwellings with three or more people crowded into a single room were no worse than in other developing societies.

Moreover, some of the housing amenities in Chinese cities were considerably better than those in other developing cities. Chinese urbanites were much more likely to have piped water and electric lighting. Though they didn't always have a kitchen for their exclusive use, by sharing with other families in the same building they did better than residents in most developing cities.¹⁴ The following data is not update, but it still gives people some sense of happens.

Table 3. Urban Housing Conditions in Selected Countries

URBAN	HOUSING	CONDITIONS IN	SELECTED COUNTRIES
	CHINA (MEAN)	OTHER DEVELOPING (MEAN)	COUNTRIES (RANGE)

Size and Density			
1. Average rooms per dwelling	2.5	2.9	2.0-3.3
2. Dwellings with only one room	18%	31%	9-52%
3. Persons per room	1.6	2.0	2.8-1.4
4. a. Dwellings with 3 or more persons per room	24%	27%	50-16%
b. Dwellings with less than 1 person per room	18%	31%	9-52%
5. Persons per household	4.4	5.3	4.0-6.5
Amenities			
6. Piped water inside house	62%	43%	4-88%
7. piped water inside house or within 100 meters	79%	67%	23-94%
8. Electric lighting	99%	64%	4-96%
9. Kitchen	72/93%	79%	61-100%

10. Toilets	18/29%	88%	67-99%
11. Fixed bath or shower	23%	40%	4-85%
Ownership			
12. Owner-occupied	42%	56%	47-74%

Source: Whyte, Martin King and William L. Parish. 1983. Urban Life in Contemporary China. p. 77.

Some characteristics of Chinese housing need to be discussed. Neighborhood heterogeneity is one of them. The bureaucratic administration of housing has a number of significant impacts on the social organization of large cities. First, stable neighborhoods persist. With such a cramped housing supply and allocation through slow-moving bureaucratic channels, the rate of residential mobility within Chinese cities has remained low. Second, local areas within Chinese cities do not take on the class and ethnic-segregated characteristics common in cities in other societies. Rents are so low and so minimally differentiated by income that they play only a minor role in sorting people across neighborhoods by income. Personal preferences, as indicated, have a very small role, while bureaucratic criteria emphasize things like the type of work unit, seniority, and family size, rather than income, ethnicity, or similar criteria. The resulting pattern is not one of completely homogeneous neighborhoods and housing, but the differences that are visible tend to be more related to work units than to class or ethnicity. Chinese cities have in effect working class neighborhoods where large industrial enterprises (with their attached employee housing) are located; they have distinctive and generally nicer than average housing in areas where universities, larger administrative and party

offices, and military units are located; and they have the mixed neighborhoods which house people from a variety of work units. Some of the latter are quite old and decrepit. Many cities have special "Overseas Chinese New Villages", which are urban neighborhoods set aside for the detached privately owned homes financed by overseas remittances. So some classlike distinctions among neighborhoods exist. Still, on balance, most urban areas are fairly mixed. For example, a factory party secretary, factory engineer, and factory canteen cook may all live side by side in the same building. Thus, we would still judge the housing conditions in China to be more equal, and the neighborhoods more heterogeneous in social status, than they would have been in a society where market forces and personal preferences predominated. This distinction also fear about falling property values, flight to the suburbs, and slum creation and residential succession, which are the common patterns in American society. The contrast is not a total one, but generally Chinese urban neighborhoods are both unusually stable and unusually heterogeneous.¹⁵

Self-Contained Housing and Neighborhood Service is another character in Chinese cities. In housing planning, Chinese planners follow closely the concept of self-contained neighborhoods. Many new housing estates are located in closely proximity to large industrial areas or other centers of employment to minimize the problem of journey to work. Many Chinese planners feel that ideally the journey to work should not take more than thirty minutes by bus or bicycle. The construction of self-contained communities is viewed as a fundamental way to solve the problem of urban traffic congestion. In order to achieve this goal, services are provided in the planned residential communities. In Beijing, for example, efforts are made by planners to provide all the daily necessities to the residents of new housing areas so that no one has to go more than 200 meters (660 feet) to obtain daily goods. Such efforts, however, do not confine the residents' shopping to their own neighborhoods. Shopping is also done by

residents on their way home from work at stores located along the thoroughfares.

Many housing estates are quite large within which a variety of services are provided. At the Caoyang Workers' Estate in urban Shanghai where most of the workers are employed by textile factories nearby, educational services are provided by eight middle schools, nine elementary schools, and seven kindergartens, eight nurseries, and a bookstore. Among the commercial establishments are a department store, grain stores, small food markets, barber shops, candy stores, and photostudios. Other services include a bank, a cinema, a post office, two clinics and twelve health stations, parks, a cultural center for reading and exhibition, and a swimming pool. The number of shopping trips made by the residents to larger commercial centers in other parts of the city is undoubtedly reduced, lowering the burden on the heavily used public transit system.

The function of the workers's housing area at Caoyang is not exclusively residential with only basic services. The estate also runs a total of 23 small assembly factories and processing workshops producing such lightweight consumers products as toys, fountain pens, clothing, cans, and watches. Together the workshops employ over 3,000 workers, most of whom living in the community. Some young people who are handicapped or otherwise physically unfit for work which requires physical strength are also employed. Similar workshops are found in the Fengsheng Neighborhood in Beijing, where six small factories produce insulating materials, rubber products, clothing, and cardboard boxes. Between 80 to 90 percent of the workers and staff are women, most of whom live within a walking distance of less than fifteen minutes to the factories.

Observant Western visitors to China have noted that commercial establishments in the cities are few and hence wondered how the daily

goods needed by the urban population are supplied. The demand for consumer goods in China is low, a fact which may explain in part the low level of commercial services visible on the street. A more basic reason for the low visibility is that there are large numbers of small neighborhood stores and service centers located in back streets and side alleys that cater to the needs of the urban residents. These stores are not managed by the city or the state, but by neighborhood residents under the supervision of the neighborhood committee. Three kinds of service establishments are organized by the residents on behalf of state commercial agencies: general stores where daily goods and foods are sold, including grains and cooking oil which are rationed; neighborhood restaurants; and recycle stations collecting reusable materials.

Known collectively as sandaudan (literally, three types of) consignment stores, these widely distributed service establishments are found in many cities, including Beijing, Tianjing, Wuhan, Qingdao These small service centers at the urban neighborhood level function as consignees of the state and bring much of the needed goods and services to the residents. Simple in physical structure, such services are built by the residents themselves with limited financial support from the district and city governments. A center usually built in a few days with less than 30 yuan, and it is usually staffed with only a few persons.

The fees of consignment paid to the state are low, fixed at 4 percent on the gross sale of goods, less than 6 percent on the sale of vegetables and 7 percent on the value of the used materials purchased to be recycled. The state allows a 0.2 percent monetary loss of goods damaged and a 3 percent loss for vegetables, all of which is calculated at the end of the month. Restaurants and other eating places operated at the neighborhood level are allowed a return of between 60-70 percent of net earning, perhaps because of their need for qualified workers who must be paid

higher wages.

The prices of goods and services at these small firms are the same as those in state stores, but no neighborhood store is allowed to cater to the needs of any agencies which often purchase goods in quantity. All operating costs are borne by the local stores, to which the state enterprises occasionally provide management guidance. Most of the neighborhood store workers are women in their forties and fifties, whose wages are determined on the same basis as those working in other neighborhood establishments. In some cases, wages are calculated on the basis of work points with fixed upper and lower limits. Normally about 70 to 80 percent of the net income of a store is distributed as wages, and the remainder goes to the neighborhood committee and public funds. These funds can be used to cover business losses, for store improvement, or for the welfare programs of the residents.

The collection and purchase of reusable materials in Chinese cities are done more systematically than almost any other society. Old newspapers, bottles, cans, metal scraps, furniture, clothing and other used items are collected at neighborhood consignment stations or by their mobile units. Over a period of ten years, a station with 20 employees located on Xinghua Street, Changyi District in Jilin City, Jilin Province, collected 646,000 yuan worth of materials from neighborhood factories and households for recycling.

It should be reemphasized that the neighborhood store offer merely low-order daily goods and services. These services, like the small neighborhood industrial workshops mentioned earlier, are an integral part of the Chinese urban scene. They are a major feature of the self-contained neighborhood, a concept which China's urban planners espouse in the planning of their cities. The presence of industrial and commercial

establishments in almost all residential areas in Chinese cities contrast sharply with the lack of such activities in most of the residential neighborhoods in American cities. It should be pointed out that because of their small scale, these industrial and commercial establishments have little negative effect on China's urban environment.¹⁶

Height of New Housing is a visible characteristic. Faced with an expanding urban population and a serious housing shortage, Chinese city planners have long recognized the necessity to maximize the use of urban space for housing construction by increasing the height of buildings. At present the amount of urban space used for new residential housing construction generally accounts for about 50 percent of the total construction space.

In the last two decades new housing has witnessed a steady increase in height. Prior to 1958 most of the new residential buildings did not exceed three stories. In the 1960's the height of the majority of new housing was increased to three or four stories, and in the 1970's to five to six stories. It is unlikely, however, that the height will increase further in the immediate future, except for tourist hotels which are to be built with foreign capital. The State Capital Construction Commission has recommended that the optimum height of new housing in large cities should not exceed five or six stories whereas in medium-sized cities it should be limited to four or five stories. It may be noted that in Beijing a typical newly constructed five-story building contains fifteen apartments, three in each floor.

The recommendations of the State Capital Construction Commission were made essentially on the basis of cost. Three major factors of cost were considered by the state. First, the construction of five or six-story

buildings were found to be most economical. The main reason for this lies in the savings in foundation and roofing cost. Buildings exceeding six stories usually require changes in structural design which would necessitate a large increase in construction cost. According to the data collected in Beijing and Shanghai, the per sq. meter cost of constructing twelve-story residential buildings of medium quality is about twice as high as that for five or six-story buildings, the cost for reinforced concrete per sq. meter being 2.5 times higher. Similarly in Beijing and Guangzhou the construction cost of "tall" buildings, presumably referring to those higher than six stories, is 80 percent higher than that of five or six-story ones.

The second factor is related to the savings in installing elevators and in water supply. These two costs account for about 10 percent of the total construction cost for five and six-story buildings, as against 15 to 20 percent for taller buildings. In addition, urban residents readily accept dwelling units in buildings of less than six stories without elevators.

At the present time water pressure in most Chinese cities can deliver domestic water to no more than six stories without additional pumping, and in some cities to three or four stories only. To increase the height of buildings on a large scale would of course require a change in the city's water supply system. Thirdly, the construction of large and tall buildings simply is not feasible in many densely populated urban areas where the streets are narrow. Such a construction would lead to a still higher population density and to more congestion. Some streets would have to be widened to accommodate the expected increase in traffic, and act which would cause many existing dwellings to be demolished.

It has been estimated by the State Capital Construction Commission that if 60 to 70 percent of the one-story housing units now in existence could be

replaced by five or six-story buildings, then the same amount of land would add 40 percent more housing space to the housing stock. In view of the cost and other factors, it can be expected that most of the new housing will be limited to five or six stories in height.¹⁷

V. Politics in the Process of Housing Commercialization

It is obvious that main problems of housing are the shortage of urban housing and the fact that rents in public housing are kept so low that they do not provide enough funds for even routine maintenance. (Rents are said to constitute only 1 to 3 percent of urban wages, on the average, and to cover only about 29 percent of the costs of housing upkeep.) But how to change the situation is still an issue. If reformed, rents for existing housing are to be gradually increased and adjusted to account for the amount of floor space; residents will be encouraged to purchase their apartments; and rents or purchase prices for new apartments will reflect the building and maintenance costs. While these proposals are designed to deal with the serious housing shortage, they will also lead to substantial increases in monthly expenses for urban residents.¹⁸

During the year of 1984, it was announced that the experiment in selling urban housing to individuals, began in four cities two years earlier, was now being extended to eighty cities. Generally the housing is built by the state or enterprises, but is then sold to urban families, thereby capturing more private funds for use in construction and giving individual owners a personal stake in building upkeep. The shift also entails the emergence of a sort of mortgage market, since part of the funds are borrowed from banks or work units and repaid over time. But the amount of housing involved in these private sales is still extremely small. For instance, the housing sold privately in Shanghai is enough to house only about forty thousand of the city's more than seven million people.

However, the housing squeeze has been eased somewhat in China's largest cities, with available housing space reported to have increased anywhere from 5 to 25 percent since 1978. But this improvement occurred largely through the traditional mechanism of a state and enterprise housing construction drive, rather than through the new private housing experiments.

Practical consequences of commercialization are still appealing. If urban housing is sold to individuals, a much larger part of the initial state investment can be recovered. And when the proceeds from the sale are reinvested in the housing sector, the initial investment money is multiplied, in effect adding to the total amount of housing investment and increasing the rate of housing construction without deepening the state's financial burden. The gradual increase of rents can also relieve much of the state's burden of subsidizing huge maintenance and repair costs. The net result of the commercialization scheme is that the urban housing sector could become financially more healthy and self-sustaining.

The reformist planners' scheme is not wholly acceptable to the Chinese Government. It basically demands: 1. an increase of rents 2. the sale of housing to individuals. But to date the government has only re-instituted a restricted experimental market for urban housing; it has not raised rents. The reasons for the government's reluctance in implementing the commercialization scheme are political rather than economic.

The sale of urban housing received official blessing in June 1980 when the State Council announced that urban residential units should gradually be commercialized. From mid 1983 to the end of 1983, 1,746 residential units were sold to individuals in these four cities. what is interesting to note that the residential units allocated for individual purchase were sold at prices lower than their investment cost. Each individual pays

one-third of the total construction cost of a residential unit , the government and the buyers' work-unit providing an equal share of the outstanding balance. For, example, if the construction cost for a residential unit with 15 sq. meter floor space is 10,800 yuan a worker buying this unit would have to pay 3,600 yuan, with the government and his/her work unit each subsidizing 3,600 yuan. That is, only one-third of the initial investment can be recovered through the subsidized sale program. Therefore, in the four cities, 13.3 million yuan, 3.89 million yuan were recovered for reinvestment in housing. In October, 1984 this scheme was officially extended to more than 80 cities. In 1985, 5 per cent of Shanghai's new housing stock and 20 percent of Beijing's were set aside for subsidized sale to individuals. By August 1986 the subsidized sale method had been extended to more than 160 cities and 300 counties throughout the country.

The most obvious advantage of the scheme is that one-third of the initial investment can be recovered and reinvested to build more new houses. Advocates of the commercialization scheme also point out that the state will save money in the future because it will no longer be responsible for maintenance and repair costs private housing.

While the Chinese Government has proceeded carefully on a limited basis in permitting the sale of housing, it has not yet attempted to adjust or restructure the rent subsidies. Even in 1985, several years into the government's campaign to resolve the urban housing problem, a study of Shenyang's housing showed that a huge discrepancy still remained in that city between average maintenance costs(3.00 yuan per sq. meters) and rental payments(0.95 yuan per sq. meter).

The government's failure fully to implement the commercialization scheme can easily be explained: whereas the sale of a limited number of new

housing benefits some well-off households and provides an alternative to the hardest-hit households without really hurting anyone, a rent increase or a restructuring of the rent subsidies would require a total rearrangement of the economic system, and the beneficiaries of the old system would be adversely affected. Rents are politically charged subject in China. Stable rents, like stable food and commodity prices, are considered paramount in preserving the overall economic well-being of China's population. Needless to say, the deep-seated fear of inflation has also kept rents low. Therefore, despite a long and extensive discussion on the subject to date no decision has been reached. The housing inequality problem that stems partly from the rent subsidies thus remains largely untouched.¹⁹

Analysts have attributed the country's near stillborn housing reform scheme to the difficulties which have proven to be far greater than what have been expected by the housing reform program designers. They believe the obstacle blocking China's housing reform has been mainly caused by the following four problems:

1. People in China have become used to the 40-year-old low rent system , so local governments, enterprises and individuals have found it very hard to accept the sharp hike in their rents as envisaged by the reform program designers.
2. China is a country with a vast territory. Large, medium-sized and small cities around the country all have their unique conditions. Therefore, it is almost impossible to implement the same housing reform program in all these cities.
3. Government officials usually living in better and more spacious houses are not very interested in housing reform.
4. In the past, Zhao Ziyang made more instructions regarding housing reform than other leaders. Today, most local government officials are not sure whether Zhao's instructions are still valid since he no longer holds

his office.

More importantly, housing, which has all the property of a commodity, has long been related to power, social status, vested interest and has even been used as an illegal means for personal benefits in China.²⁰

Today China is talking about housing reform again. In a government statement dated January 2, 1992, it speaks of the goals of housing reform for the 1990's. The statement under the name of "China push Urban Housing Reform-- Ministry of State Housing Reform Committee Developed Specific Opinions about the Reform" says:" 1. The goal in the period of the Eighth Five-Year Plan (1991-1995) is: to change the low rent, no-return allocation, reach the three elements of simple reproduction (cost of maintenance, cost of management, cost of deterioration). Gradually increase the family spending on housing.

2. Ten year goal. By the year 2000, the standard of rent should reach the five elements (costs of maintenance, cost of management, cost of deterioration, investment interest and real estate tax).

3. Long term goal. The standard of rent will include eight elements(besides the above five elements, the cost of land use, insurance and profit). Develop the market of real estate, improve housing financial system, complete the change of system of housing as a commodity, realize the commercialization and socialization of housing."²¹

VI. Conclusion

Can expanded government capital investment in the urban housing sector eliminate the housing shortage problem? Can the government 's approval of

the sale of housing help solve the shortage problem? The answer is "no." The shortage problem is the consequence of a biased state investment policy , low rent policy and rising housing standards. To solve this problem, therefore, readjustments in the rental policy, the investment policy, as well as national housing standards are required. But as the Chinese government have made some readjustment in investment policy and housing standard, readjustment of rent policy may require the rearrangement of the total economic system.

The increased rate of housing investment, however, still does not match the estimated demand for housing. Moreover, this increased investment comes primarily from the capital construction funds that were originally earmarked for the upgrading and maintenance of industrial facilities. Because the modernization program stresses improved efficiency and productivity in the industrial sector, the urban housing sector could be placed under increasing pressure to relinquish its share of the capital construction funds back to the industrial sector. This means that the state's commitment to the urban housing sector is not a stable, long term policy. Increased government investment in housing can only be a short-term remedy that provides temporary relief to the problem. There is evidence to support such an argument: the proportion of total capital construction funds allocated to urban housing declined from 25.5 percent in 1981 to 20.1 percent in 1982 and down to 17.5 percent in 1983.²²

Readjusting housing standards can also have a significant effect on the supply of housing. According to one estimate, if the state were to build 100 million square metered of urban housing, a reduction of each unit' construction floor area by eight meters, would add an additional 300,000 units to the nation's housing stock. The view of some Chinese planners is that the national standard on construction floor area per unit should be set at between 45 to 50 sq. meters. Such a reduction would permit a

living floor space per capita of between 5.6 and 6.3 sq. meters, considered comfortable by current Chinese standards, and for this reason politically easier for the government to adopt.²³ But restriction of housing standards will alleviate only a small portion of the housing shortage problem.

Only by increasing rents can the urban housing sector become self-sustaining. But the decision to implement any increase involved would be a political one and thus difficult for Chinese leaders to take. As the Communist world has changed recently, stability is the most important to the Chinese government, the leaders are trying to make the population happy. By increasing rents, the government would upset many people. Also right now the government does not have money to increase incomes to compensate rent increase, because one should know, even with the existence of private enterprises along with the economic reform, state-owned enterprises still provide most of the employment which depend on the government to pay the salaries. Also, those benefit from low rent policy are usually those who occupy large housing space and most reluctant to see any changes. That is why there is still a lot of talking but not much practice about rent reform. But the Chinese Government does not seem to have other choice than to increase rents gradually to at least cover costs, although how to implement it is still a question.

It seems the government subjectively would like to see rent increase as a transition to private ownership of housing as the leaders allow other private businesses to flourish. The main reason private housing development is not popular is that, the political system still controls construction materials; freedom for private housing or any kind of private development is very limited. Thus, Chinese regime may be able to continue the current fashion of legitimization in its attempt to bring about economic progress or allow some private housing without lifting political

oppression for the time being. But the Chinese politicians and policymakers must realize that in the long run political freedom is a prerequisite to successful economic and housing reform.

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