



DPU WORKING PAPER NO. 148

Relations between  
economic inequality and  
political dynamics in  
contemporary China: an  
urban development  
planning perspective with  
evidence from the housing  
sector

Di Jiang



DPU Working Papers are downloadable at:

[www.bartlett.ucl.ac.uk/dpu/latest/publications/dpu-papers](http://www.bartlett.ucl.ac.uk/dpu/latest/publications/dpu-papers)

If a hard copy is required, please contact the Development Planning Unit (DPU) at the address at the bottom of the page.

Institutions, organisations and booksellers should supply a Purchase Order when ordering Working Papers. Where multiple copies are ordered, and the cost of postage and package is significant, the DPU may make a charge to cover costs. DPU Working Papers provide an outlet for researchers and professionals working in the fields of development, environment, urban and regional development, and planning. They report on work in progress, with the aim to disseminate ideas and initiate discussion. Comments and correspondence are welcomed by authors and should be sent to them, c/o The Editor, DPU Working Papers.

Copyright of a DPU Working Paper lies with the author and there are no restrictions on it being published elsewhere in any version or form. DPU Working Papers are refereed by DPU academic staff and/or DPU Associates before selection for publication. Texts should be submitted to the DPU Working Papers' Editors, Dr Camillo Boano and Dr Barbara Lipietz.

Graphics and layout: Giorgio Talocci, Camila Cociña and Luz Navarro.



Development Planning Unit | The Bartlett | University College London

34 Tavistock Square - London - WC1H 9EZ

Tel: +44 (0)20 7679 1111 - Fax: +44 (0)20 7679 1112 - [www.bartlett.ucl.ac.uk/dpu](http://www.bartlett.ucl.ac.uk/dpu)

DPU WORKING PAPER NO. 148

# Relations between economic inequality and political dynamics in contemporary China: an urban development planning perspective with evidence from the housing sector

Di Jiang  
[di.jiang@ucl.ac.uk](mailto:di.jiang@ucl.ac.uk)

December 2012

ISSN 1474-3280

**Abstract.** In contemporary China, there are rising issues of economic inequality. As the economy develops with the gradual evolution of the political system, growing concerns on the interaction between economic inequality and political dynamics have started to emerge. This paper is set out to explore the relations between economic inequality and political dynamics in China from a perspective of urban development planning. A conceptual framework was established to structure the theoretical ties among economic inequality, political dynamics and urban development planning. This framework integrates explanations from political economy and urban development studies where the perspective of urban development planning acts as both an external angle to examine the relationship between economic inequality and political dynamics, and a social realm that is affected by their relations. Based on the conceptual framework, this article focuses on the urban housing sector as a specific domain in urban development planning in order

to conduct concrete analysis and test the effects of urban development planning on economic inequality. The results of the statistical analysis on a specific city case of Shenzhen indicate that the development of urban housing sector fosters economic inequality among urban households in the city. Based on the discussion that political dynamics influence and shape the planning of the urban housing sector, the author concludes that the political dynamics in urban development planning have exacerbated the conditions of economic inequality and this situation has become a general trend in major Chinese cities. Lastly, in order to highlight key political factors that result in different state intervention models in the planning of the urban housing sector that affect economic inequality, the author takes a comparative approach to contrast the benign and malign governance in social housing provision of Singapore and China with emphasis on indigenous features and government objectives in both countries.



# Content

---

|  |    |
|--|----|
| <b>1. Introduction</b>   | 7  |
| <b>2. Approaching the relationship between economic inequality and political dynamics from an urban development planning perspective: A conceptual framework</b> | 10 |
| 2.1. Economic inequality and political dynamics -An attempt at explanations from political economy.....  | 10 |
| 2.2. A perspective of urban development planning in China.....   | 13 |
| <b>3. Methodology and constraints</b>  | 17 |
| <b>4. Evidence from the urban housing sector</b>   | 18 |
| 4.1. Urban housing sector as a research focus in UDP.....  | 18 |
| 4.2. Economic inequality in the development of urban housing sector in China.....  | 19 |
| 4.3. A comparative perspective for political concerns on failed State.....   | 26 |
| <b>5. Conclusions</b>  | 28 |
| <b>Appendices</b>  | 29 |
| <b>References</b>  | 31 |

## List of tables.

- 1.1. Income share held by subgroups of population in 2005
- 4.1. Housing division by S.Yuan
- 4.2. Housing Division by UPLRC
- 4.3. Housing price-Income Ratio on three types of housing for average income households
- 4.4. Housing price-Income Ratio on three types of housing for top 20% income households
- 4.5. Housing price-Income Ratio on three types of housing for top 10% income households

## List of figures.

- 1.1. Share of GDP of the east coastal region in China (Percentage)
- 2.1. Economic inequality and relevant facets of political dynamics
- 2.2. Sketch of the logical reasoning for adopting the perspective of UDP
- 2.3. Summary of the conceptual framework
- 4.1. Investment in real estate development and the share for residential housing
- 4.2. GDP and the share of real estate trade
- 4.3. Average price for residential housing in Shenzhen
- 4.4. Per capita disposable annual income in Shenzhen
- 4.5. Affordability of different standards of housing for households in each income level

## List of acronyms.

- CCP - Chinese Communist Party
- CSC - Chinese State Council
- DS - Developmental State
- GDP - Gross Domestic Product
- NS - Neo-liberal State
- OECD - Organization for Economic Cooperation and Development
- PRC - People's Republic of China
- SEZ - Special Economic Zone
- UDP - Urban development planning
- UPLRC - Urban Planning, Land and Resource Commission



# 1. Introduction

Economic inequality is a persistent and pressing problem. Just as Champernowne and Cowell wrote in their book, it “arouses deep resentment, which can give rise to major social and economic upheavals, and which provokes strongly differing views about the policies that might be adopted to regulate it” (Champernowne, Cowell, 1998, 1). Although never as acute as natural disasters or other fierce social turmoil, economic inequality does provide a longer-term anxiety for policy makers on a potential danger to future prospects and financial stability. It is the socio-economic concerns over inequalities that have never faded away in people's judgement on the well-being of society as well as scholars' interests in relevant research. Emerging as one of the most successful developing countries in the world in terms of economic growth, China has experienced unmatched economic development and social advancement in the past 30 years or so. Nevertheless, economic inequality in civil society has worsened alongside the fast progress in socio-economic achievements of this East Asian country under the leadership of the Chinese Communist Party (CCP) who formulated one of the most centralized systems of political power in the world. This article is set out to examine the relations between economic inequality and political dynamics in contemporary China.

To gain an initial comprehension of their relations, it is fundamental for one to acquire a general picture of economic inequality in China. Economic inequality had been fluctuating in China's contemporary history of development since the foundation of the P.R.C., to the new era of Reform and Opening that started in 1978, and until now. Past studies have mainly focused on the spatial characteristics of economic inequality in China in terms of regional disparities and urban-rural inequality (Tsui, Yuen, 1991; Jian, Sachs, Warner, 1996). Empirical evidence has shown that during the initial phase of the central planned economy (1952-1965), real incomes of the provinces didn't show a strong trend of divergence while during the Cultural Revolution led by Mao (1967-1977), regional economic disparities expanded and widened because socialist planning favoured industrial areas at the expense of a reduced yield of agricultural produce in rural areas. After the Economic Opening and Reformation in 1978, market forces initially helped to alleviate some of the extremes of resource allocation left over from the planned economy era and equalized regional incomes because of the integration with globalization and an increase in agricultural productivity. However, since the mid-1990s, biased po-

litical preferences given to selected industries together with the decentralized managing behaviour in markets, economic inequality rose once again (*ibid*). Nowadays, this regional divergence remains one of the most noticeable features of Chinese economic inequality—the GDP of the east coastal region accounted for 68% of the national amount (Figure 1.1); and among the 36 major cities (mostly provincial capital cities) in 2008, almost all the east coastal cities enjoyed the highest level of GDP (Appendix 1). However, if we set aside that regional gaps are widening, income disparities among citizens, especially between the richest and the poorest also enlarged in recent years. In recent years the Gini coefficient<sup>1</sup> in China has kept rising and has outnumbered many other developing countries according to studies by the World Bank. The distribution of income measured by share of GDP held by the richest 20% of the population increased from 36.7% in 1980 to 41% in 1990 (R. Rojas Archive, 2010) and to 47.8% in 2005. On the contrary, the share of income held by the remaining 80% kept dropping and in 2005, the richest 10% of the population held 31.4% of the nation's income and the lowest 10% only had 2.4% (Table 1.1). Social tensions such as the pressure for property acquisition to build a future life, the increasing cost of education for the young and the rocketing health care expenses for the old are becoming evident and urgent problems. Yet society at the same time also witnessed a rising class of economically wealthy who use their political connections to conveniently enhance their existing wealth. Moreover,

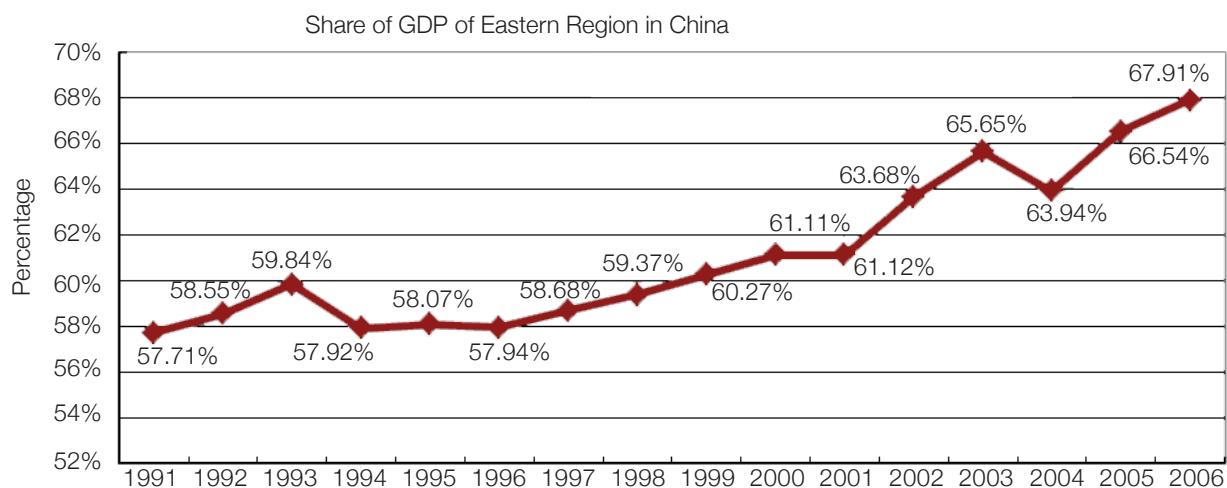
**Table 1.1.** Income share held by subgroups of population in 2005. Source: World Bank, Poverty in China.

| Subgroups divided by levels of income | Income share |
|---------------------------------------|--------------|
| Highest 10%                           | 31.4%        |
| Highest 20%                           | 47.8%        |
| Fourth 20%                            | 22%          |
| Third 20%                             | 14.7%        |
| Second 20%                            | 9.8%         |
| Lowest 20%                            | 5.7%         |
| Lowest 10%                            | 2.4%         |

the inter-generational wealth inheritance within the richest group has also become increasingly obvious in China nowadays. Relying on the original historical wealth accumulation of the former generation, the off-spring of this social class are in an advantageous position when competing for wealth with their peer groups, thereby affecting other people's opportunity to acquire wealth based on their accumulated human capital. In summary, there is an increasingly clear phenomenon in Chinese society illustrating the overt networking between political powers and the economic elite, the inter-generational passing of wealth within rich households; and growing concerns about the relationship between political power and economic wealth.

The ultimate aim of this article is to unravel the relations between economic inequality and political dynamics in China. In order to achieve this goal, the author sets up a conceptual framework to analyse the relationship from a perspective of urban development planning. Within the structure of this conceptual framework, the author tries to solve the primary research question on how urban development planning affects economic inequality in specific urban sectors. Additionally, by connecting urban development planning with political dynamics of the country, the author hopes to provide insights into the direct or indirect effects of political dynamics on economic inequality in the urban context. To begin with, a conceptual framework to structure the analysis is required.

**Figure 1.1.** Income share held by subgroups of population in 2005. Source: China Statistical Yearbook-various years. Source: Author.



## NOTES TO CHAPTER 1

1. Economic inequality is often described as income inequality which can be measured by the Gini coefficient with 1 stands for absolute inequality where one economic person possesses

all the income while others have none and 0 stands for perfect equity where everybody share the same level of income (Atkinson, 1970).

---

## 2. Approaching the relationship between economic inequality and political dynamics from an urban development planning perspective: A conceptual framework

---

Economic inequality and the political influence behind development has long been a topical research field for scholars in the social sciences, especially after the economic success of the emerging markets in East Asia where formerly established ideas in relevant academic realms saw competing models for economic growth and development. There are different angles to look into the relationship between economic inequality and political development, most of which belong to the academic field of political economics. However, this conceptual framework seeks to examine this relationship from the perspective of urban development planning relying on a basic political economy understanding of the relationship. The author contends it a fresh attempt to combine knowledge from political economy with an urban development context.

### 2.1. Economic inequality and political dynamics - An attempt at explanations from political economy

First and foremost, the author considers it fundamental to establish a basic theoretical understanding of the relationship between economic inequality and political dynamics, which mainly derive from the realm of political economy. Although discussing the issue within the context of political economy is not the primary goal of this article, it is necessary to do so, because the future analyses on the relationship is expected to involve political and development concerns. This section seeks to provide a conceptual explanation of economic inequality and its ties with political dynamics. The articulation of their relations will be applied in the context of China's society later.

#### 2.1.1. Theoretical concepts of economic inequality and its ties with political dynamics.

The concept of economic inequality mainly refers to the "contrast between the economic conditions" of different people and groups (Champernowne, Cowell, 1998, 2). On one hand, income is one of the main elements that define these "economic conditions"; on the other, opportunities to generate income—meaning resources allocated and the external conditions to utilize those resources are also fundamental in the determination of these "economic conditions". Besides, economic inequality can also refer to the disparities in the overall economic per-

formance among nations, regions and cities, which could be compared based on total economic output, average income per capita and other indices among those areas. The economic inequality discussed in this article mainly relates to income disparities between people and social groups in the urban context.

In the history of economic growth and inequality, the classical economic view believes that economic inequality is actually positive for economic development as it increases possible savings which form into capital accumulation and thus boost growth (Kaldor, Nicoals, 1955). However, more recent studies have demonstrated that economic inequality in imperfect markets can be harmful on human capital formation thus dampening economic development (Galor, Zeira, 1993). Neo-classical views tend to emphasize that inequality is simply just a feature in income distribution inherent in the process of economic growth. Based on the data from developed countries in the first half of the 20th century, Kuznets hypothesized that income inequality tended to rise at earlier stages of economic growth represented by income per capita but showed a descending trend as growth continued (Kuznets, 1955). Studies based on more recent data in both developed and developing countries cast doubt on this hypothesis however.

There are various possible causes for economic inequality. On one hand, there are indigenous causes related to the labour itself, such as innate ability, gender and culture, etc. On the other, there are exogenous causes related to the market and socio-economic conditions, such as the volatility in labour market, education, technology, globalization, neo-liberalism policies, development models, wealth concentration, etc. (OECD, 2011). These exogenous causes tend to exert limits on labour's competence in applying and developing their innate abilities, and thereby they become the ultimately force in creating the externally inequitable environment for society to pursue economic equality. Indigenous causes are innate while exogenous causes are mostly to some extent derived from and shaped by behaviours governed by the self-interest of certain groups in society. This is why there exists divergent importance attached to different social groups and also explains people's strong discontent aroused by economic inequality (Champernowne, Cowell, 1998). Thus, conflicting relationships appear in the society in pursuit of economic equality, in which, the state and its policies play important and crucial roles.

This article is not intended to go down to the detailed mechanism of how these causes work but focuses on the causes that involve state behaviours and political interests which correlate with economic inequality. There are many aspects to look at political dynamics. I divide relevant aspects that may be useful in later analysis into two categories: the dimension that has direct involvement with the state, and the dimension related to the informal political ideology, atmosphere and environment in society.

First, the dimension directly involved with the state can be discussed from three perspectives: the role of the state, the political model, and the political representation of people. To begin with, the role of the state determines to what extent government can intervene in the economy and how far government policies can influence the socio-economic condition. Developmental state (DS) and Neo-liberal state (NS) are the two major counterparts in terms of the state's role in development. A DS believes that government should be directly involved in the market mechanism and manage the economy through adjusting macroeconomic variables such as savings, investment, wages etc., and should provide education, housing, health care and help to redistribute resources for society (Bagchi, 2000). In this sense, a DS deals with economic inequality more proactively as it tends to reallocate economic income and resources to maintain equity for society, whilst the provision of public welfare, housing and other state benefits ensure that economically disadvantaged groups are helped and protected by the state. On the contrary, the NS believes that a free market is able to allocate resources efficiently and state intervention should be minimized to avoid unnecessary unemployment and inflation (Treanor, 2005). By cutting back public spending on social welfare, health care, education, social housing etc., it is believed that the NS model is likely to generate social inequality as market force alone ignore some non-economic factors that affect people's equal participation in the market thereby differentiating their incomes. The experience of the origin of NS of Reaganomics in the U.S. and Thatcherism in the UK showed that economic inequality widened under the NS model (Parkinson, 1989). Nevertheless, neither development state is bound to alleviate economic inequality nor does the neo-liberal state necessarily exacerbate it. For a DS, M. Beeson concluded that it is essential for a DS to have the capability to implement interventions in economic development, however, countries that might benefit are frequently hampered by lack of institutional infrastructure (Beeson, 2001). This "absence of institutional infrastructure" may indicate ineffective state capacity (for some under-developed countries) or a lack of democracy that can ensure the equity of the government interventions. If the political model of an authoritarian state encourages economic development but places priority on consolidating its own political and economic authority at the expense of overall social equity, then the DS model is likely to foster economic inequality between the social groups that have political means and the ones that don't.

By the same token, although the economic ideology of the NS model tends to increase economic inequality by its free market approach, the state can still be motivated to provide more social welfare to cope with inequality under a democratic political system in which the society's voices are heard and people's opinions act as valid stakeholder in the making of government policies (Bourdieu, 1998; Sener, 2011). Furthermore, since past studies tend to believe that political regimes are endogenous factors to economic inequality, political representation and participation become critical as they determine who can make and implement state policies to influence economic development (Cogneau, 2009). Studies on representation tend to look at the issue from the voting angle and party representation in which they suggest not only does political representation turn out to be biased towards different social groups in terms of their income level (Bartels, 2005; Flavin, 2009; Hakhverdian, 2010), but also that in an economically more unequal society, the equity of political representation turns out to be worse accordingly and exert a negative influence on people's willingness for political engagement and thus create a defective circle for people to seek better representation to change the economically unequal situation (Rosset, Giger, Bernauer, 2011).

The second dimension to look at political dynamics is the relatively informal political atmosphere in terms of how political interests are interpreted and how political powers are involved in economic society. Economic inequality leads the wealthier group in society to seek a corresponding share of political power in order to secure their gains and explore further opportunities to greater economic power. As the society's economic inequality level becomes more severe, the accumulation of the wealthy's political resources is likely to generate more obvious bias in the political system towards the economic interests of the rich (Solt, 2004; 2008). Therefore, in the process of this searching for 'political means', more affluent people build up networks and connections with political powers to expand their accessibility to wealth while political regimes seek to achieve political goals through the affiliation with economic barons. This series of relations under economic inequality can seed corruption in political system as the state is given too much stake whose position can be relatively secured by its connection with the riches (Begovic, 2005). By the same token, the process of wealth concentration of the richest people (in which newly created wealth tends to agglomerate on the already-wealthy entities because they have the financial base to invest and leverage and thus increase the accumulation of wealth) can be further secured given they have the guarantee and privileges granted (not formally) by political power and thus aggravate the situation of economic inequality (Zantrio, 2011).

As a brief summary, when trying to detangle the ties between economic inequality and political forces behind, this article looked into the different but relevant facets of politi-

cal dynamics that correlate with economic inequality (Figure 2.1). The relatively formal aspect involves mainly the state in terms of the role of the state, the political model of the country and the political representation for its people; the other aspect refers to a macro political environment including economic-political connections in society, corruption and wealth concentration, etc. These facets are especially relevant for the context of China when related to economic inequality. They are basic blocs for our further analysis and they constitute part of the overall analytical framework.

**2.1.2. The context in China.** A general image of economic inequality in China has been outlined in the Introduction of this article. As mentioned before, past studies on this issue in China mainly focused on the regional or urban-rural features (Wan, Zhang, 2006). Yet the causes are not just regional, nor simply the results of economic inequality. In order to understand economic inequality in China more clearly, one has to gain some insight into the features of the Chinese political dynamics that correspond with it. This section outlines the political dynamics behind economic inequality in contemporary China in a narrative fashion.

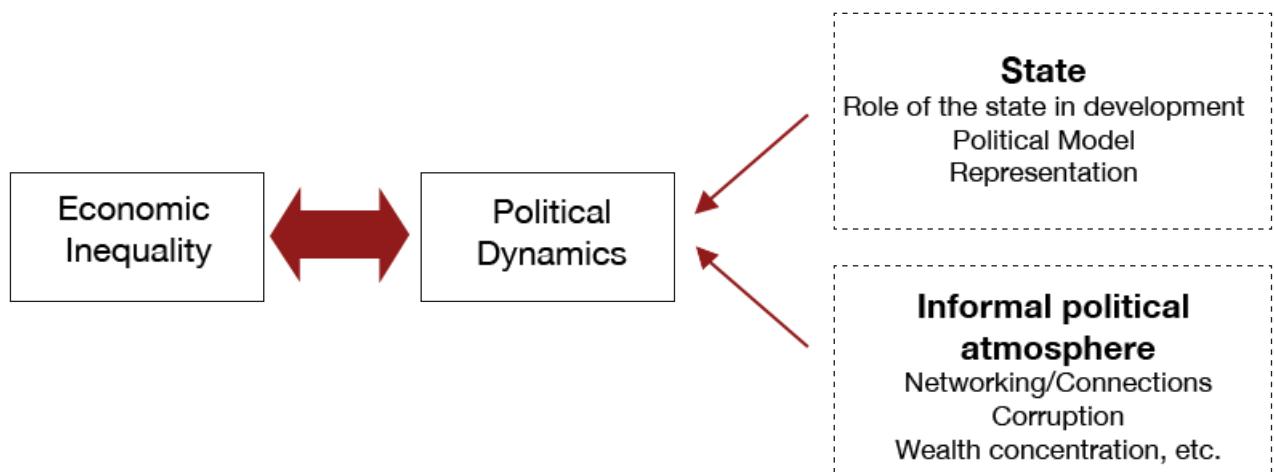
The model of the DS propelled the rapid growth of East Asian states. China is different, as one of the states that also benefitted from government intervention in managing the economy, its government enjoyed supreme power during the period of unprecedented growth in the past 30 years. From the planned economy during Mao's regime, the state continued as the main guiding institution in the planning of the country's economic development, even after the economic reformation and opening towards market forces and globalization. "The country has emerged as an economic superpower

while retaining its autocratic political structures" (The Times, 27th July 2011). It is a unique model of political-economy in China in terms of encouraging a market economy while the government still took direct action to influence the market. This unique model of "socialist market economy" in which a capitalist market economy is combined with socialist state intervention saw China formulate its unique authoritarian-capitalist model (Chen, 2002). However, unlike the current capitalist model in the west which appears to be more minded to eliminate social inequality, China's unique model seems to have triggered bigger than ever economic inequality. Since the economic reformation in the late 1970s, China has allowed certain groups of people to become "rich first" based on the opening of the country's economy and subsequent integration into the global market while also allowing significant decentralization of authority to manage the economy at a local level, encouraging privatisation and dismantlement of state-owned firms, promoting foreign investment and increasing the amount of international trade.

In all this process however, China has prioritised economic growth over social equity. The Gini coefficient had risen to 44.7 by 2001 and the Chinese Communist Party (CCP) seemed to have dumped its once bedrock support from the working class given that total state-sector employment dropped by 30% from 1997-2001 and that the "world's factory" has been sustained by the frugal life of millions of Chinese worker making less than \$100 per month (World Bank, 2005; Yang, 2006).

This is a general image of China's development model and the economic inequality that was believed to be caused by this unique style of development. Another specific institutional feature that is relevant for analysis is the relationship of the central-local government.

**Figure 2.1.** Economic inequality and relevant facets of political dynamics. Source: Author.



Past studies mainly focused on the fiscal relationship between the two to explore the central-local structure (Goodman, Segal, 1994; Zhang, 1999; Yang, 2006; Zhang, 2006). The declining trend in central governments' fiscal share after the tax reform in 1994 led many scholars to treat it as a sign of power decentralization from central government to the local. However, the reconfiguration in fiscal relations such as the reappointment of stamp tax revenue, the realignment of personal income tax revenue, and the reassignment in the payment of rebates on value-added tax in exports etc. actually underscored the predominant power of central government (and its unwillingness to diffuse power) and the subordinate nature of local government (Huang, 1996; Yang, 2006). However, although the central government maintains a dominant position in the fiscal system, its decentralization of some fiscal rights to the provinces revealed its economic regionalism ideology and political preference for some local development. This propensity, together with the "market localism" in the economic reformation, and specific regional policies favouring the east coastal area and the opening to the global market (Solinger, 1995), created difficulties for the central government to maintain full control over the nation's economy. With preference granted to some provinces, the central government lost full control on the effects of certain policies as key provinces acted as giant 'self-interested stakeholders' in respect to policies formulated by central government. Put it simply, "central leaders may not have the agency to direct economic activity in a way that will allow developmental promises to be achieved" (Breslin, 2007, 1).

Apart from the central-local relations, it is important to understand the path towards democratization and political representation of various social classes within the context of China. Unlike the structural theory that postulated capitalism is an important catalyst (while not always necessary) to democratization, the authoritarian-capitalism that China created hasn't appeared to foster democracy for the country. One of the key factors is that in western society, a bourgeoisie that is vital to democracy does not need to survive relying on state power but rather on the market mechanism itself. Nevertheless this is not the case for China. Because in the socialist market economy where government plays a vital role, the way the Chinese entrepreneurial class can maximize their business opportunities as well as economic income is to subjectively "involve" the government and establish cosy collaborative relations with top local officials. Neither this bourgeoisie class possesses any motivation to push the government towards more equal policies, nor will the political supremacy of the CCP be threatened by this entrepreneurial class (Chen, 2002). Furthermore, because China doesn't have an effective or even legitimate voting system seen in most western democratic countries, the political representation of some social groups which actually

have the motivation and potential power to question and challenge the legitimacy of the governance of the CCP is absent in the political stage in China, which in turn has maintained the status quo for biased political interests and fostered endemic corruption.

Equally important, the institutional features of the Chinese political-economy system have influenced society, especially in the relationship between the business class and government officials. These changes in society's ideology and values are also reflections of the authoritarian-capitalist development model. The Chinese social phenomena mentioned in the Introduction shows there is a persistence of political power remaining in the market and an accelerating speed and expanded scope to convert this political power into economic power (Zhou, 2000). Nowadays in China, there is a model of 'informal' networking between the entrepreneurial class and political elites in which businessmen can only realize their goals through networking with those holding political power. Additionally, secured by this networking with political powers, there are also obvious signs of the wealth concentration in the richest, especially in the appearance of the younger off-springs' intergenerational inheritance of wealth which was created during the initial stage of economic opening and market reformation. Under these circumstances, economic inequality can only be widened and deepened as a result of the collusion between political power and the economic wealthy. The Kuznets hypothesis certainly does not apply in this country and it is also said that the top 2% of the population (in terms of their income) controls 98% of the country's wealth (Kunshan, 2011)<sup>1</sup>, which is a clear articulation of the extremely unequal political-economic relationship in China. This new business model in China is operating on top of entangled social connections in the "political market" that has established a vast informal web of *Guanxi* which on one hand helps maintain each empowered party's vested interests, but on the other dampens the possibility of further economic reform and political progress (Gold, Guthrie, 2002). In this situation, "institutional changes are processes of coevolution between politics and markets" (Zhou, 2000, 1139) is just an optimistic way to put it.

## 2.2. A Perspective of urban development planning in China

The last sub-section explores the relationship between economic inequality and the political dynamics behind it by narratively explaining it from the angle of political-economy. Then the relations are discussed further in the context of China, to provide a base for our later analysis of examples in China. This section seeks to look at the relations from a perspective of urban development planning and establish a comprehensive conceptual framework.

**2.2.1. Why urban development planning?** So why choose the perspective of urban development planning (UDP) to examine the relations between economic inequality and political dynamics in China? First and foremost, I consider it is crucial to explain the decision to put the discussion in an urban context.

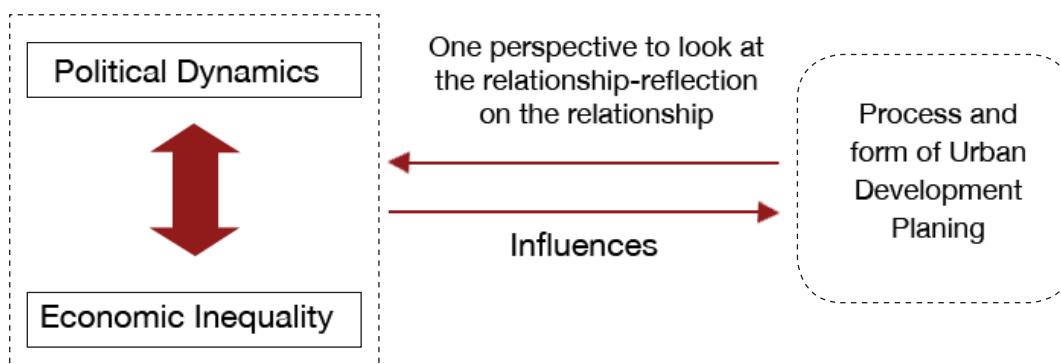
Firstly, as stated before, the priority given to cities in economic development in contemporary China determined that cities simply have higher levels of economic growth and wealth accumulation than rural areas. Although urban-rural inequality is not the primary focus in this article, it does emphasize that with outstanding growth records<sup>2</sup> and a clearer mechanism of Chinese socialist market economy, cities are simply more representative for the unique economic development model the state posed. Besides, the effects of the economic reformation programme and the integration with globalization are more distinguishable in the Chinese urban context, which renders economic inequality sharper in the urban context as a result of the relationship with urban governance. Therefore, due to the primary policy focus on economic development, economic inequality in an urban environment is more suitable for researching the features and effects of the unique market economy model in China (Gao, Riskin, 2006).

Secondly, apart from the economic position of Chinese cities, they are also usually regional political centres for local governments. Because political power tends to concentrate in cities, the collaboration between economic agents and political interests in China is more visible in an urban context and facilitates clearer analysis of the relation between economic inequality and political dynamics. Studies have shown a growing interest in changing urban governance under a socialist state system which greatly affects the form of urban development and landscapes and its relations with a more market-oriented economy (Wu, 2002). Some have even used empirical studies to illustrate that urban-

biased policies are detrimental to future urban growth (Yang, 1999). Therefore, with the rising co-evolution of politics and economics in an urban context, cities have become hot spots to explore the relations between economic inequality and political dynamics.

When researching economic inequality in the urban context and its connections with urban biased policies, past studies have set their focus and searched for evidence from the urban labour market in terms of human resource accumulation (Knight, Lina, 1991) or examined urban market forces and social benefits (Gao, Riskin, 2006) to discuss differentiated urban income for households or individuals and the political influences behind them. Certainly, there are many such angles to examine the relations between economic inequality and political dynamics in the urban context; urban development planning is just one possible perspective. It is becoming an increasing hot spot for urban research representing not just urban built landscape, but more of the state focus and policy agenda behind it. Urban development planning stands for the planning process of the development for cities in aspects of all relevant urban dimensions and sectors such as city economy management, planning for land use, transportation, urban environment etc. Thus the urban development planning perspective is not just a phenomenon in the urban context, but rather a force that decides parts of the 'urban context' ranging from urban physical planning to the socio-economic planning, thereby rendering itself to be an effective dimension to examine the institutional connections between urban economic growth and urban policies originated from planning. Figure 2.2 sketches out the logical reasoning for adopting this perspective (Figure 2.2). Urban development planning is ultimately a perspective to examine the economic inequality and political dynamics in an urban context because the political-economy relations between the pair (as discussed in section 2.1) are affecting the process and form of UDP and such influences are in turn reflected by the outcome of UDP.

**Figure 2.2.** Sketch of the logical reasoning for adopting the perspective of UDP. Source: Author.

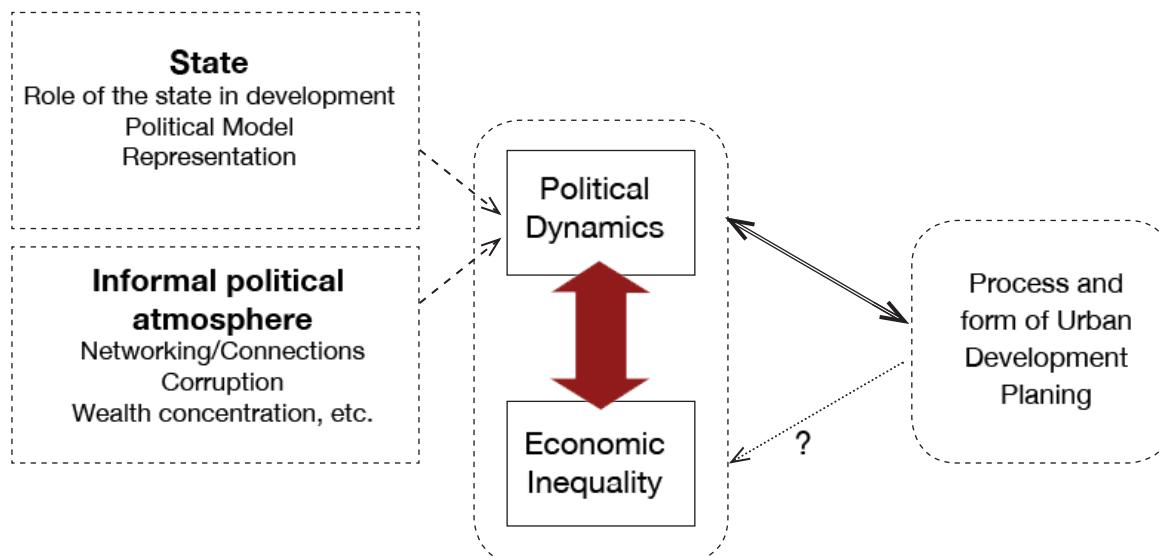


**2.2.2. From the perspective of urban development planning.** So, is the perspective of urban development planning a legitimate one to examine the relations between economic inequality and political dynamics in an urban context? The answer is yes. First, cities form their physical shapes and functional features within the socio-economic processes under the guidance and effects of national and local policies (Lo, Yeung, 1996; Evans, 1991). Second, as discussed above, UDP is a planning process, so who does the planning? According to Lo & Yeung, it is the guidance and effects of policies initiated and implemented by the state that shape the socio-economic process and thus decide the form of urban areas. The process and form of UDP stand for the political interests of both central and local government in China. As the central government gave political and economic priorities biased to urban rather than rural areas, especially the cities in east coastal areas, this central political initiative to some extent has both determined and implicitly accepted the regional disparities and urban-rural duality in urban development levels. Locally, the decentralization in economic reform programmes allowed urban governance to localize urban development planning based specifically on local conditions and priorities. As we've discussed in the context of China, although the state (as in a government system controlled by the CCP) still retains its absolute power, in terms of central and local scale, there are lots of issues and development initiatives in UDP that are decided locally. Even though the central government may publish a macro-level policy agenda with a benign strategy, there are still a large number of planning processes that are just simply beyond its control at a

local level for the reasons discussed earlier. Nevertheless, it is obvious in China that the form and process of urban development planning almost totally stands for the interests of the state. Although urban policies are changing towards a more market-oriented economy, there is no real market competition in terms of how cities should be planned. Rather, the authority of the planning process of cities remains in the hands of the bureaucratic government of the state (Lin, 2007; Wu, 2002). Additionally, apart from the representation of state interest, UDP also reflects other informal political-economic relations in society to some extent.

Since the perspective of UDP represents a channel for political interests and the practice of state power, the main research question is whether, the urban development planning alleviates economic inequality, or does it foster worse inequality in the urban context? And given that urban development planning stands for state intervention and government initiatives, does this then provide an interpretation of how political dynamics affect economic inequality through UDP? The author hopes that by solving this question, the relations between economic inequality and political dynamics in the urban context of China can be examined. Moreover, it will also be meaningful not only to explore the answer, but also to distinguish the key elements in this conceptual framework in terms of which segment(s) in the framework has the most decisive force for the results in the probe of the research question. Figure 2.3 is the combination of the ideas in Figure 2.1 & 2.2 (Figure 2.3). It illustrates an integrated conceptual framework for trying to solve the research question projected above.

**Figure 2.3.** Summary of the conceptual framework. Source: Author.



## NOTES TO CHAPTER 2

1. There is no actual official data to prove this. However there are information in Chinese media/news agent that claims within the 6000 billion RMB financial assets in Chinese stock market, 75% are occupied in all different forms by government officials and their families. And among the 50,000 people who hold more than 20 million RMB worth of stock shares, 86% of them are government officials and their family members. In the 3000 billion

RMB that was invested in the stock market by 70 million people in China, 2000 billion RMB worth of shares have been grabbed and consumed by government officials and their family members (Sun, 2008).

2. CPI-adjusted household per capital income rose from 4,567RMB in 1988, to 6,521RMB in 1995, and to 10,333RMB in 2002.

### 3. Methodology and constraints

---

In terms of searching for evidence following the conceptual framework outlined above, it will be difficult to find concrete and specific data in the broad domain of urban development planning. To make the research question testable based on statistical analysis, this article will focus on the urban housing sector as a proxy to stand for and explore the process of urban development planning. The aim, legitimacy and analytical structure of this specific focus will be discussed in the following case study section. In addition, given that China is a large country and the data representing Chinese urban areas does not accurately reflect the real urban economic situation in typical cities (as the concept of 'cities' are largely defined along political borders and often contain agricultural activities), the analysis will focus on a case study of one major city to conduct the statistical verification of the research question. Yet the general trends in China do get discussed following the specific case study. Besides, the author will also use a comparative analysis approach to discuss some key political concerns based on the case study following the reasoning in the conceptual framework.

Most of the data in this research was found online from official national or local statistical yearbooks posted by the relevant statistical bureau. There is also information from specific yearbooks concerning urban areas and housing development. Some data is also from other lit-

erature and past studies although the results from the statistical analysis are generated by the author. Still, there are problems concerning the continuity of the data that for some indices there is an inadequate time range for the data to show clear trends, and there is even data missing for some important indices.

In the reasoning line of this article, the author is also conscious of potential logical fallacies in the case analysis. First, confining the research scope to the urban housing sector as a representation of the process and form of urban development planning can be incomplete. The features of urban development planning may have different attributes in other urban sectors. The urban development planning discussed under the urban housing sector only stands for the planning feature in this sector rather than all urban aspects. However, the political dynamics may be similar regardless of which urban sector it is. Although the relationship between housing development and economic inequality is to some extent testable with data, the way and extent to which political dynamics affect the housing industry and thereby influence economic inequality are difficult to be quantified and verified. As a result, most of the analysis on the influence of political dynamics on the urban housing sector and its effects on economic inequality are discussed in qualitative and narrative fashion.

## 4. Evidence from the urban housing sector

In this section, the author intends to use examples from the urban housing sector as one particular angle to explore the relations between economic inequality and political dynamics in the realm of urban development planning. A Chinese city case is adopted to examine the effects of the urban housing sector on economic inequality among different urban households. The political dynamics in the development planning process of the urban housing sector is also discussed to further explain its possible influences on urban economic inequality. The section will start with a conceptual explanation of choosing the urban housing as a focus together with a brief introduction on the development of the urban housing industry in China. Then statistical analysis will be conducted on the particular city case to test how the housing sector is affecting the economic situation among urban households. Besides, the political environment of planning and policies in the housing sector are explained to examine their effects on housing prices and thus the indirect influences over economic inequality. Lastly, some key concerns in the political dynamics in shaping urban economic inequality through the development of the housing sector are discussed.

### 4.1. Urban housing sector as a research focus in UDP

Admittedly, there are many aspects in the urban context that are eligible to explore the features and effects of urban development planning, such as the provision of infrastructure, transportation, urban landscape, urban welfare, etc. The urban housing sector is of special significance however. Because of the durability of housing as an economically heterogeneous product with lower changeability in consumption due to the higher moving cost (O'Sullivan, 2007), the urban housing situation is the one of the most explicit indicators to examine the living quality of urban residents. Because housing is relatively more expensive than other urban products and is immediately involved with people's living standard, changes in housing prices, the provision of and commodity housing market etc. will be highly relevant to look into the economic inequality situation in our urban context. Meanwhile, because the housing sector also receives a considerable amount of political attention in planning and regulation, it will be proper to discuss the political interests, biases and flaws in the housing sector in terms of how they shape the sector and thus affect people's economic situation.

Therefore, theoretically the author considers it a relevant and interesting urban sector to unravel the relations between political dynamics in urban development planning and economic inequality in the urban context.

As for urban China, the author contends the housing sector still keeps these basic theoretical attributes. Economically, housing issues are an increasing concern within Chinese civil society especially the influences housing problems cast on people's everyday life, future prospects and sense of financial security. On the other hand, the scale and economic contribution of the housing sector has experienced steady growth in recent years, giving the industry greater weight in the national economy (Appendix 2). Politically, the planning and regulation of the urban housing sector is under the control of the government which in a way reflects the interventionist development model the Chinese government put forward in socio-economic activities. So the housing sector is an appropriate field to analyse the urban development planning process and the political dynamics behind it. Therefore, the urban housing sector should be a suitable domain to explain the relationships outlined in the conceptual framework.

In addition, one important background feature in the Chinese urban housing sector is the market reform in housing provision in the 1990s. In the past, houses and dwellings were allocated by the state following the structure of work units and qualification for housing allocation for workers was totally dependent on one's political rank and political performance in your work unit (Logan, Y. Bian and F. Bian, 1999). Past studies have considered that this state allocation system directly fostered housing inequalities in cities. However, as stated in one of the CSC documents on deepening the reformation in urban housing structures in 1998, the commercialization and monetization of urban housing, marketization of housing provision, and the termination of state allocation of housing became the main lever to lift the living condition of urban residents and to boost the urban housing sector into a key support industry in the national economy (CSC, 1998). Nowadays, most of the houses supplied in the market are commodity ones.

Therefore, with our focus on the urban housing sector, the research question put forward in section 2.2 can be dissected into two main parts: The first task is to examine the influence of the housing sector on people's economic well-being and the status of urban economic inequality;

the second part is to explore the political dynamics in urban development planning in the housing sector and examine whether these dynamics impact economic inequality through the housing sector. Because of the regional economic disparities in China, urban development levels vary greatly between regions. As mentioned before, the concept of cities are more political than economic, so the data from the general urban level in the whole of China does not always reflect the actual urban area. Therefore rather than using general urban data from China, the author focuses on a representative city case that can best reflect the development and growth model of Chinese cities.

## **4.2. Economic inequality in the development of the urban housing sector in China**

**4.2.1. Shenzhen and its housing sector.** For the case study in China, the author has chosen Shenzhen to focus her research. So why does the author choose Shenzhen? It is determined by the city's socio-economic performance and its political status in China's development, especially after the economic reformation in 1978. Shenzhen is located on the eastern bank of the famous Pearl River Delta in Guangdong province in southeast China (*Appendix 3*). It is most famous for its amazing "Shenzhen Speed" in terms of its fast economic growth and vast urban development for more than 30 years from a little coastal village to a modern city with international standards. It is the first ever Special Economic Zone (SEZ) in China which was set up directly by the Chinese State Council (CSC) on August 26th 1980 and it is also recognized by Chinese society as one of the three financial centres of the country, with Beijing and Shanghai. In 2004, Shenzhen was defined as "a city without rural area" which also renders it more recognizable for urban statistical investigation. In 2010, the GDP of Shenzhen was ranked at 4th after Shanghai, Beijing (Chinese Statistical Yearbook) and Guangzhou. In a report on Chinese cities' competitiveness published by the Chinese Academy of Social Sciences (CASS, 2011), Shenzhen was also positioned in the top tier alongside Hong Kong, Shanghai and Beijing.

In summary, Shenzhen enjoyed an extraordinary position in China's development with its outstanding economic achievement throughout the years. However, its success in economic growth and metropolitan construction cannot be discussed without consideration of state policy and government intervention. The ultimate reason for choosing Shenzhen to conduct the case study is not based on its economic performance as there are many other Chinese cities, especially in the east coastal provinces, that have similar development records and comparable growth speed. The fundamental reason for selecting Shenzhen in this study is the ultimate level of political interests involved in the city's early de-

velopment and strong influence from state intervention and economic policies that to a large extent shaped the city's current situation in economic and urban development. It is widely known that Shenzhen was first given attention by the state following Deng Xiaoping's southern tour of the country in 1979 (China News, 2011) and then burgeoned into a vast success for city development under apparent state priorities and favourable guidance in economic progress. Given that Shenzhen was one of the initial centres of China's economic reformation from a planned economy and opening to global markets, the city stood as an example and pioneer for the country's exploration towards a more market-oriented model for economic development, while at the same time still featured strong government intervention. Therefore, among all fast developing cities in China, Shenzhen simply is the best example for the study to look into the political dynamics and their effects in the unique model of socialist market economy for urban development planning.

As Shenzhen was dramatically fast in its economic growth and urban advancement, its economic performance tends to be more 'mature' in following the economic development model the state posed and in its reaction towards state intervention and government policies. This can mean that the city displays a more advanced industrial structure, economic growth, socio-economic well-being, and effectiveness of political management; yet this can also imply that potential controversies and discontents are fiercer and more destabilizing in the urban environment in Shenzhen. The urban housing sector in Shenzhen is no exception in a field where this paradox exists.

After the reform of housing provision that was carried out by the CSC, pioneering Shenzhen witnessed the rapid development of its real estate industry and effective marketization of housing provision. Since the market mechanism started working in the urban housing sector, real estate development soon became one of the driving industries and commodity housing occupied a predominant position in housing provision for the city. Rapid industrialisation saw a corresponding increasing amount of housing construction in the city and also progress made in the quality of people's living conditions. The prosperity of Shenzhen's housing market can be examined in three aspects: investment, construction and gross production in the industry. (1)

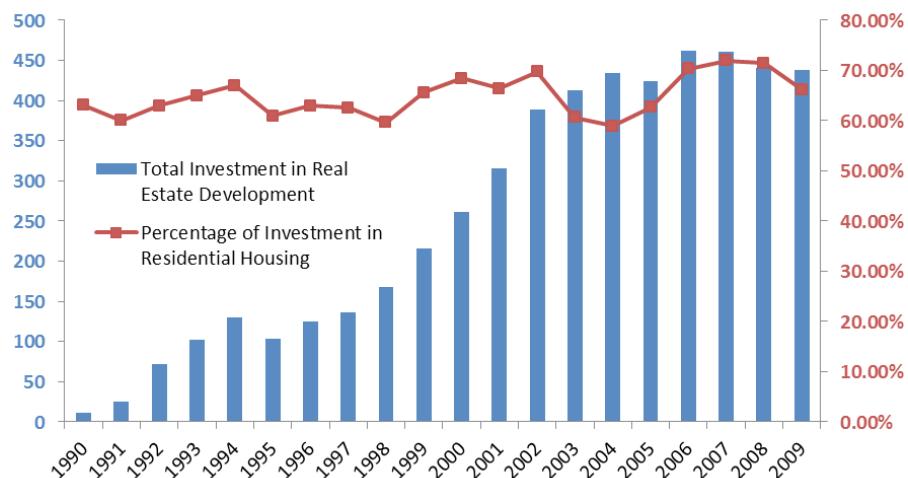
First, the total investment in real estate development in Shenzhen reached approximately 43.7 billion RMB in 2009 following a steady growing trend from 1990. Investment in residential housing accounted for a stable 60%-70% of total real estate investment from 1990 to 2009 (Figure 4.1). Besides, the commodity housing investment saw a rapid and dramatic increase from only around 10% in total investment in fixed assets in 1979 to its peak time of nearly 60% in 2000. Although after 2002 the investment in commodity housing started to

cool down, it still occupied an average of nearly 40% of total fixed asset investment (Appendix 4). (2) Second, influenced by the growing investment, there is a corresponding expansion of residential housing construction. Starting in 1990, there was a vast increase in the construction of residential housing from just below 2 million square metres of residential floor space to just above 20 million square metres in 2009, and sales of this newly constructed space increased year by year as well until 2005 (Appendix 5). Based on a report published by the Urban Planning, Land and Resources Commission of Shenzhen Municipality (UPLRC), the average living space in the city had reached 29.6 square meter per person which was much higher than the national average in 2007 (UPLRC, 2007). (3) Third, pushed by the burgeoning of investment and construction in real estate, the real estate industry became one of the sup-

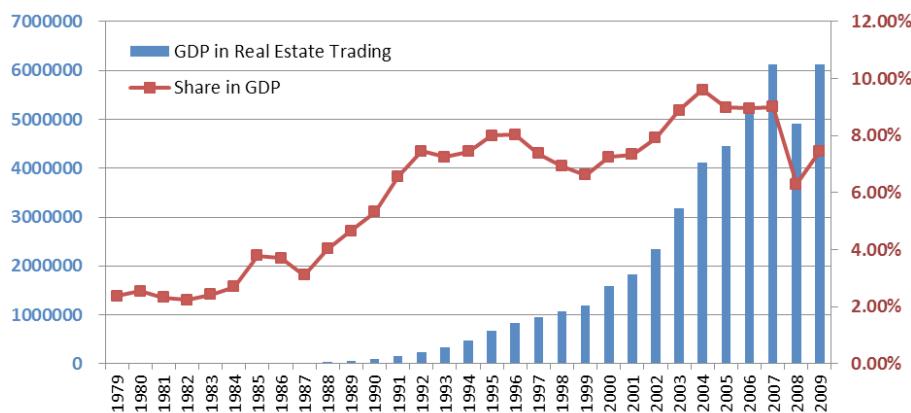
porting urban sectors for Shenzhen. Figure 4.2 shows the total production of the real estate sector and the changes of the share in the GDP of Shenzhen (Figure 4.2). Setting aside the drastic increase in output since 1979, the initial phase of dramatic increase started in the early 1990s and experienced even higher growth in the 21st century with the contribution of the industry once reaching 9.6% of Shenzhen's total GDP (Shenzhen Statistical Yearbook; Yuan, 2008; UPLRC, 2011).

**4.2.2. Economic inequality in Shenzhen's housing sector.** Based on the discussion above, the success of Shenzhen's real estate development has been shown in the steady increase of investment, the construction and the trading of this high-value commodity, and an ascending position as a key industry for the city in terms of its contribution to GDP. As mentioned before, after the mar-

**Figure 4.1.** Investment in real estate development and the share for residential housing.(100 million RMB; percentage)  
Source: Shenzhen Statistical Yearbook



**Figure 4.2.** GDP and the share of real estate trade (10,000 RMB; percentage).  
Source: Shenzhen Statistical Yearbook



ket reforms, especially in housing provision; the housing industry quickly developed as one sector of the market economy where the operation and management of the industry followed the basic market principle that the price of the housing was decided in the market. Because of the function of market mechanisms such as competition and free trade, the quality of housing and people's living standards have been improved because of the market-oriented reforms and competition among suppliers. Nevertheless, the market is not flawless in managing every aspect of the economy, especially in terms of equity. The marketization of brought prosperity for the real estate industry, but also resulted in continuous increases in house prices which has created enormous pressure on people's lives and reduced their ability to purchase housing. Appendix 5 illustrates the sale of floor space in residential housing fell more than 50% from 2005 to 2008 when the price of housing really started rocketing (Appendix 5). Studies and common understanding in China have revealed that housing and education for off-spring have become the two most difficult problems faced by Chinese residents in their lives (Yuan, 2008). The strikingly high price of housing in Shenzhen is one of the highest in China and is even approaching the housing price level of developed countries. Because Shenzhen is pioneering in market reforms, studying the housing sector in Shenzhen is a pertinent case study for other cities. One possible way to look into economic inequality in the housing sector is to compare the income of people and house prices (Figure 4.3 & 4.4).

Figure 4.3 & 4.4 show a general comparison between people's income and the price of housing in Shenzhen. The house price fluctuations tend to be shorter-term and recent. But as we can see, the average annual personal

income of Shenzhen rose rapidly from only 1,915 RMB in 1985 to almost 30,000 RMB in 2009 with a 65% increase from the end of 1990s. On the other hand, the price of housing showed similar increases and fluctuated around 20,000 RMB per square metre from mid-2009. To make the relationship more easily comparable, adopting the instrument of housing price-to-income ratio can be helpful. The calculation of the ratio is:

$$\text{housing price-to-income ratio} = \frac{\text{housing price}}{\text{annual household income}}$$

More specifically, the price of housing can be calculated as:

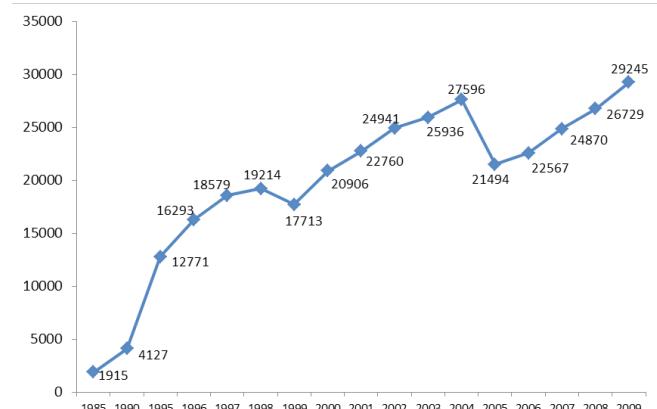
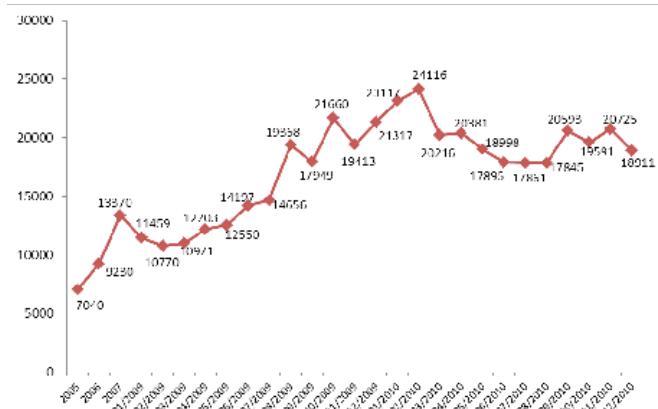
$$\text{size of the house (sq.m.)} \times \text{average price (RMB/sq.m.)}$$

In addition, the annual household income should be regarded as the disposable income of the family. Hence, this ratio theoretically indicates the number of years it takes for a family to purchase one property, which is a standard index to investigate the affordability of residential housing. According to Andrew Hamer, a housing price-to-income ratio of between 4 and 6 was a relatively ideal ratio accepted by the World Bank as a range deemed as comparatively 'comfortable' for families to afford (Hamer, quoted in Yuan, 2008).

There exist arguments in the calculation of this ratio, mainly in terms of the choice of the size of housing and the reasonability of housing prices. The author considers this segmentation of the housing market against people's choice of housing reasonable because the real estate industry is largely segmented now in terms of different size, standard, construction material used, style, etc. Also these various segments of housing usually have

**Figure 4.1.** Investment in real estate development and the share for residential housing (RMB/sq.m., from 2005 to each month of 2009-10). Source: Shenzhen Statistical Yearbook

**Figure 4.2.** GDP and the share of real estate trade (RMB). Source: Shenzhen Statistical Yearbook



their own targeted market thereby it won't be rational to assume everyone in the society is buying at an 'average price' of the whole housing market. In the segmentation of housing based on prices and size, S. Yuan focused on the constitution of housing prices from a Marxist economics view and calculated reasonable prices of three categories of housing: luxurious housing cost 16,681.7 RMB/sq.m.; median range housing cost 8,899 RMB/sq.m.; and the lower range housing costs 4,813.7 RMB/sq.m.. Also, he adopted the size division of 140 sq.m. for luxurious housing, 120 sq.m. for median range housing, and 90 sq.m. for lower range housing (Table 4.1).

However, these housing prices are much lower than the actual average housing price displayed in Figure 4.4; even the price for luxurious housing as he defined is lower than the actual average price. As a consequence, the author decided to use actual average prices for the three categories of housing divided by their size. According to the housing market operation report in 2010 by UPLRC, the prices and sizes of the housing categories are shown in Table 4.2 (Table 4.2).

To make the calculation simpler, the author will just use 144 sq.m. for the luxurious housing, 90 sq.m. for the lower range housing, and 120 sq.m. for the median range housing because among the biggest 24 cities in China, houses or apartments with more than 120 sq.m. have accounted for more than 50% of all the market supply of residential property. Therefore, the average price per house was calculated as shown in Table 4.2.

In terms of household income, assuming there are on average 4 people in every household (Shenzhen Statistical Yearbook), and assuming there is at least 20% additional grey income in every household (Yuan, 2008), then the real average annual household income is a product of:

$$\text{Annual disposable income per capita} \times 4 \text{ persons} \times \\ \text{an expansion index of 1.2 for grey income}$$

Therefore, the complete calculation of the housing price-to-income ratio is:

$$\frac{\text{Average price of the house (yuan/sq.m.)} \times \text{Size of the house (sq.m.)}}{\text{Annual Disposable income per capita (yuan/person)} \times 4 \times 1.2}$$

Moreover, the author considers it highly important to look at this ratio by different income groups. As mentioned in the Introduction, there is a highly unequal structure of personal income distribution in China (Table 1). Therefore, the housing price-to-income ratio will vary by different income group. Rich people may find it much easier to afford more than one living property while those with lower incomes may struggle to even purchase basic housing.

**1) Housing price-to-income ratio for average income level:** According to Figure 4.4, the average annual disposable income is 29,245 RMB per person. So the annual income for an average household is:  $29,245 \times 4 \times 1.2 = 140,376$  RMB. Based on the average house prices calculated in Table 4.2, the ratios for such average income household for the three types of houses were calculated as shown in Table 4.3

From Table 4.3 we can see that all of the three ratios are much higher than the World Bank comfort zone of 4-6. It takes up to 27 years for an ordinary family with average level of income to buy a luxurious standard house, nearly 16 years to buy a mid-range house and even 12 years for the lower range of housing based on the extreme assumption that all the household income is put into property purchasing. Therefore, for an average income household, all three types of housing are beyond their affordability. They can only choose an even lower range of houses or turn to the second-hand housing market. To those households whose income is below the average, then housing will certainly become a huge burden to improve their living quality and sense of happiness.

**2) Housing price-to-income ratio for top 20% income level:** Since the housing prices for all three ranges of housing proved to be stressful for the average income household above, what about the situation for the top 20% of people with highest income share? As shown in Table 1, the top 20% people share 47.8% of income, thereby we can assume that this top 20% are rich families while the remaining 80% are on an average income of 140,376 RMB per year. Therefore, the annual income for the top 20% richest can be calculated as:  $140,376 \times (47.8\% / 20\%) = 335,498.64$ , and the ratio of three types of housing for this level of household.

From Table 4.4, we can see that it is a lot easier for the richest 20% to afford the basic range of houses. The theoretical time range it takes for such families to buy lower standard houses is only half the time it takes for average income households. Therefore the difference in financial pressure to buy basic housing is vast for the top 20% richest against the average person. On the other hand, it is still quite stressful for the top 20% of households to buy luxurious houses and it is also a considerable decision for them to choose the median range houses. This can be comprehended as in society, less than 20% of the population can find it feasible to buy a median range house within their financial comfort zone, and an even smaller percentage can go for the most luxurious. Yet compared with the average income households, all ratios are reduced for more than half of the top 20% richest, which indicates that the housing market is objectively much more favourable for the top 20% rather than for the average income households.

**3) Housing price-to-income ratio for top 10% income level:** Because of the income difference in the Chinese population and the extreme structure of wealth aggregation

mentioned in the Introduction, the author feels it necessary to also look into the top 10% of households with highest income. As discussed in (2) and based on Table 1, the household income of the top richest 10% can be calculated as:  $140,376 \times (31.4\% / 10\%) = 440,780.64$  RMB per year. So the ratios for the three housing categories for the top 10% of households are shown in Table 4.5.

From the table we can see that for the top 10% of households with highest incomes, both median and lower range of housing are within their comfortable affordability zone. Although the luxurious houses provide a little more in pressure, it is more viable for the top 10% of households than for the average household. Although there is insufficient data for even higher ranges of households in terms of the structure of income share, the author believes that there is a smaller range of households with highest income within the top 10% that can easily afford the luxurious housing. This assumption is based on both the sales of houses in Shenzhen (Appendix 5) and observation of such social phenomena in China.

As a summary, the housing price-to-income ratios were calculated for three levels of household income against three categories of houses shown above. From the summary of the calculation for each category, it is not hard to conclude that for average income households, all three types of

housing are beyond their affordability based on their income while the situation for the top 20% and top 10% of households with highest income levels were proved to be much better with wider financial accessibility and affordability of housing (Figure 4.5). This unequal condition in the housing industry of Shenzhen is not only a reflection of the inequalities of people's economic possessions, but also exacerbates economic inequality in the city. First, for the group of people who find it feasible to purchase houses (even when the housing price-income ratios are beyond their ideal range), the financial pressure is different between them. For example, as calculated before, for the lower standard of housing, it takes on average 3 and 5 years' household income respectively for the top 20% and top 10% of families to purchase, while such basic housing will cost up to 12 years' worth of income for families with average income. Therefore, average households spend a longer time to save or pay for the housing rather than spending money on the consumption of other goods that can also improve their life quality. Because it is a much longer process for them to afford housing it will be particularly difficult for the average income household to improve their financial status as they'll have no surplus income for alternative consumption. On the contrary, richer households are able to finish the process of purchasing a house in a shorter time and spend more money on other commodities to improve their quality of life as well as more time to accumulate new savings.

**Table 4.1.** Housing division by S. Yuan. Source: S. Yuan, 2008.

| Division                  | Luxurious | Median | Lower   |
|---------------------------|-----------|--------|---------|
| Average price (RMB/sq.m.) | 16,681.7  | 8,899  | 4,813.7 |
| Average size (sq.m.)      | 140       | 120    | 90      |

**Table 4.2.** Housing division by UPLRC. Source: UPLRC, 2010.

| Division                  | Luxurious  | Median    | Lower     |
|---------------------------|------------|-----------|-----------|
| Average price (RMB/sq.m.) | 126,397.06 | 18,230.56 | 18,696.16 |
| Average size (sq.m.)      | $\geq 144$ | 90-144    | $\leq 90$ |
| Average Price/house (RMB) | 380,1177   | 218,7667  | 168,2654  |

**Table 4.3.** Housing price-Income ratio on three types of housing for average income households.

| Category of housing      | Luxurious | Median | Lower |
|--------------------------|-----------|--------|-------|
| House price-Income ratio | 27.08     | 15.58  | 11.99 |

**Table 4.4.** Housing price-Income ratio on three types of housing for top 20% income households.

| Category of housing      | Luxurious | Median | Lower |
|--------------------------|-----------|--------|-------|
| House price-Income ratio | 11.33     | 6.52   | 5.02  |

**Table 4.5.** Housing price-Income ratio on three types of housing for top 10% income households.

| Category of housing      | Luxurious | Median | Lower |
|--------------------------|-----------|--------|-------|
| House price-Income ratio | 8.62      | 4.96   | 3.82  |

Consequently, the economic inequality between the rich households and average income households is exacerbated due to the housing pressure. What's worse from another perspective, the years that it takes for the top 10% and top 20% households with higher income to buy both median and luxurious standard of housing are even shorter than for an average household to buy lower standard housing. This means that the richer households are able to take a shorter time to purchase better houses under less financial pressure, while average income households sacrifice their income accumulation and other opportunities to improve living standards, the houses they purchased under higher economic pressure are still not as good as the richest. This will also widen the economic differentiation between the rich and the poor. In addition, according to the actual housing prices in Shenzhen and the reasonable housing prices calculated by S. Yuan (Table 4.1 & 4.2), the majority of housing provision in Shenzhen's market belongs to the price level for luxurious housing. This will only create more stress on average income households and worsen the existing unequal economic situation among urban households. Furthermore, for the households that already found it financially 'impossible' to buy houses, the increasing housing prices and the unreasonable structure of housing provision in Shenzhen will only make it increasingly harder for them to find suitable housing in the market. Poorer households that cannot afford housing in the city will have an even more prolonged saving phase in the hope of buying a house, thus preserving their personal housing status quo while leaving them limited family finance to improve other aspects of their lives. To summarise, the unequal price of housing and structure of housing provision is fostering increasing economic inequalities and posing a serious challenge for the city's attempt at trying to alleviate social inequalities.

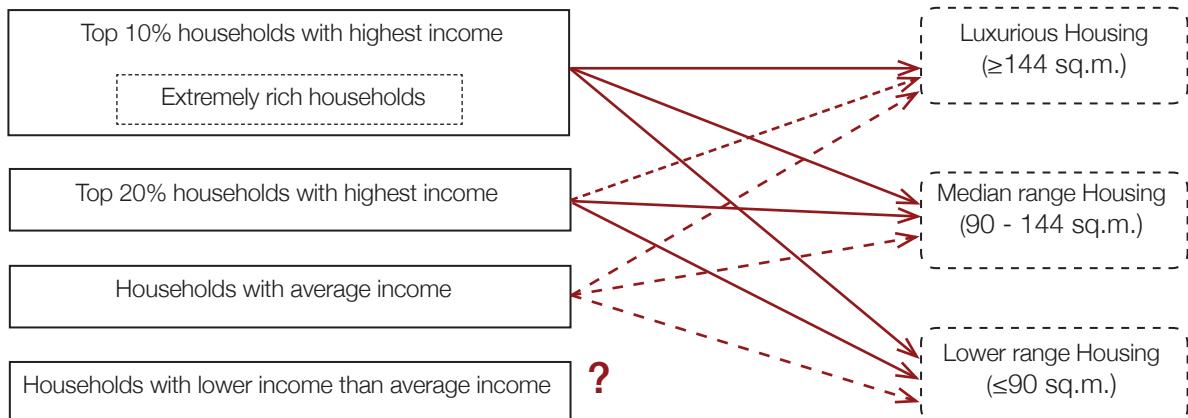
#### 4.2.3. Political dynamics in urban housing sector.

When looking at the inequality caused by housing prices and

provision, past studies mainly focused on the market forces that shaped the property price and the macro adjustment and control of the housing market by government. However, this author considers that the original political interests and initial state policies are the fundamental and crucial force in the creation of inequalities in the housing market leading to wider economic inequalities in Shenzhen. This section will focus on discussing the dimensions of political dynamics set in the conceptual framework in both the planning and operation of the development of the housing sector.

As mentioned before, Shenzhen was treated as a pioneer of the economic reform and opening to global markets that started in the late 1970s. Given its special position and attention from central government both in the socialist marketization restructuring and the reform in housing provision in the early 1990s, Shenzhen is a representative product for the Chinese model of developmental state in terms of the strategic planning of the city's economy guided by the government. The features of the developmental state model therefore, also got passed on to the shaping and planning of the city's built form and landscape. In Shenzhen's housing market, the Urban Planning, Land and Resource Commission of Shenzhen Municipality plays a unique and exclusive role in terms of the planning, authorization and management of the land and housing resources in Shenzhen. Apart from its function to conduct macro management and regulation in the housing sector, it also has supreme authority in the planning and implementation of the residential land usage and housing construction strategies. In Shenzhen's housing market, in fact in all cities in China, "government pointed the direction and the market adjusted industry operations", which directly reveals the paramount power and position of the state in the housing sector (Yuan, 2008; UPLRC, 2011). However, under the governance of the UPLRC, the current situation shows that although the housing price is extremely high in Shenzhen and the low housing affordability of normal households with average in-

**Figure 4.5.** Affordability of different standards of housing for households in each income level. Source: Author.



come is out of proportion, there are still increasing numbers of projects of high-end market housing with luxurious settings and 'luxurious' prices. Therefore, based on the analysis in the last sub-section, the fact that the unfavourable condition in housing price and the developing trend of the housing sector in Shenzhen are fostering wider economic inequality, this is largely a result of a lack of proper strategies in housing and land planning and the shortage of regulation in the housing market. This can be deemed as a sign of malign governance from the state power in the development planning for housing in Shenzhen.

Based on this macro-environment of government planning, regulation and the background of the marketization of housing provision, there are other aspects of political dynamics that apply to the 'failed state' in Shenzhen's housing sector. One typical failure in governance is that under significant economic pressure in the housing market, there is inadequate social housing in Shenzhen that is proportional to market needs to support the housing required by households with low or average income (Appendix 5). In addition, there are certain risks in the attempt to buy government provided welfare housing. Some public financed housing has been found to be low quality so people don't tend to buy them as they fear they will lose money on this investment. Also, the criteria imposed for people who can qualify to purchase social housing are usually very strict (Baidu, 2011; China Economic Review, 2011). Moreover, the social welfare subsidy to fund low-income house purchases is only available to locally registered residents of Shenzhen who must contribute 13% of their monthly salary (CWCC, 2005). However, at the end of 2009, the registered residents of Shenzhen were about 2.41 million while the unregistered residents were nearly 6.5 million (Shenzhen Statistical Yearbook, 2010). So the coverage of this funding is not effective enough to subsidize the need for housing.

Setting aside ineffective state subsidies on housing for urban residents, the relationship between central and local governments is also crucial in dissecting the political dynamics in the urban housing sector. Since the tax reform in 1994, the central and local governments have shared a dual tax system where the local government enjoys higher accountability and power to make decisions on the tax structure. However this does not mean that the local government has complete power to control all the fiscal income from taxes. The central government still retains control over key tax categories as mentioned before giving it better control of national fiscal income while local governments were given incentives to develop their local economy (Zhang, 2006). Under this tax system, fiscal income from non-taxes income has outweighed the income from taxes for most local governments. Because of the booming real estate industry, land sales became a key income source for local governments given that they ultimately hold the trading authority over land (Liu, 2010; Jingjicankao, 2010). Since local governments benefitted directly from land sales, increasing amounts of land in urban areas were sold to

private developers as the market was highly profitable for these developers. The local government often use the income from land sales to support and sponsor other aspects of economic development because the direct fiscal sponsorship they are granted from the central government is very limited (Zhang, 2006). As a consequence, the mechanism for the provision of housing cannot be fundamentally altered given such favourable fiscal benefit for local government. Although central government may tend to tackle the housing tensions in big cities by implementing macro-level adjustments in the housing industry or healthier planning vision through local government, it is difficult for the local housing industrial structure to alter significantly because of local government's fiscal needs.

Furthermore, the political representation of people and the informal political atmosphere in civil society are also important in the consideration of economic inequality in Shenzhen's urban housing sector. Because the political representation of people through voting is very limited in China, the systematic problems in the housing sector in terms of shortage of social housing provision and local government's pursuit of income through irrational land sales to developers cannot be effectively addressed in the central-local political model. What's worse, the existing informal *guanxi* connections between private developers and government officials may result in deals on land and housing development which go beyond or even against the official development planning objectives. Such corruption in the political system and collusion between private developers and government officials will only exacerbate the economic inequalities among various households in the urban housing sector. Moreover, luxurious and median range houses are mostly sold to rich groups, who as discussed before are not only rich in economic resources but also abundant in political connections. As a result of the urban housing market, this class of people get to live in a much better housing environment with little financial stress, which further widens the economic inequality of social groups.

To summarize, based on the case-study of the urban housing sector in Shenzhen, evidence on people's household income and house prices tend to indicate that the development of the urban housing industry in Shenzhen fostered worse economic inequality in the city. Because the political forces discussed are considered to be fundamental in the shaping of anomalies in Shenzhen's housing sector, the political dynamics actually exacerbated economic inequality through the urban housing sector.

**4.2.4. General trend in China.** By using the housing sector as a focus in urban development planning, we have to consider its features of 'development', which is to say, it is necessary for the research to also consider the longer term dynamics in how political forces affect urban economic inequalities through the development planning for housing in China. Although there isn't sufficient and continuous data to examine the effects of house prices on economic inequality

in all the major cities in China, there is a notable consensus in contemporary Chinese civil society that the development in the urban housing sector has fostered widening economic inequalities among different households even though it did provide advanced living condition for a privileged social group. Shenzhen is just one representative example of the state's strong political intervention in initiating and planning the city's development as a pioneer and experiment in the socialist reformation in economic and housing structure. Yet other Chinese cities, ranging from top developed cities in the east coastal region such as Shanghai, Beijing, and Guangzhou, to inland provincial capital cities, all witnessed such housing pressure on people and its detrimental effects on economic and social inequalities (Logan, Y. Bian and F. Bian, 1999). Given that the political forces and governance in all Chinese cities are basically similar and have the same systematic and institutional fallacies as discussed in section 4.2.3 in the development planning of the urban housing sector, there is a prevalent trend that the political dynamics in the housing sector actually foster worse economic inequalities among social groups in urban China.

From this general image of urban economic inequalities, we can see a clear blueprint for different generations of Chinese cities where similar state failure existed in the housing sector which exacerbated economic inequalities and thus failed to avoid the risks for potential social conflict. In the general trend of how Chinese cities pursued economic growth, we can see the failed state urban housing policies and malign government intervention in first-developed cities were followed and succeeded by secondary cities in a blindfold way. Therefore, the systematic flaws in the political dynamics that resulted in the inheritance of malign state intervention will only lead to a continuous worsening in economic inequality in the urban context in China.

### **4.3. A Comparative perspective for political concerns on failed State**

Beyond the analysis given in the last section, the author also has extended an interest in a brief exploration of the determining forces in political dynamics that influence the effects of urban development planning on economic inequality. Reflecting this interest back to the conceptual framework, the purpose is to define the key element for China in the theoretical structure that shape the outcome of the relationships between political dynamics, urban development planning and economic inequality. Based on the conclusion made in the former section, the political dynamics in urban development planning (with evidence from Shenzhen's housing sector) actually fostered wider economic inequality in China. So what are the political factors that lead to this final socio-economic outcome? Is the role of government as a developmental state bound to trigger economic inequality?

To answer this question, the author decided to use a com-

parative study of Singapore to help understand the issue. Similar to China in terms of the role of the state in development, Singapore is a typical East Asian country with a developmental state model. Additionally, the development models of both countries are a mixture of strong government intervention and free-market approach in their socio-economic operation and governance (Newman, Lam, 2000). However, in terms of the housing market structure, Singapore has proved to be much more successful than China in providing public housing to alleviate tension in the housing affordability social paradox. While a shortage of social housing provision in the booming real estate industry in urban China has been proved to be one of the biggest fallacies in housing governance that caused wider economic inequality in urban areas, Singapore's government has adopted a series of sensible policies in social housing provision such as compulsory land acquisition and resettlement for public housing, liberalization of the Central Provident Fund and government subsidies and loans at the early stage of the foundation of the city state (Provision of Public Housing in Singapore, 2011). So why do such big difference exist in housing planning and governance in the two countries? The author attributes the differentiated governance to indigenous reasons and disparate government objectives.

First, one of the key indigenous features of Singapore is the clear ethnic categorization in its society starting at the foundation of the country. The three main ethnic groups in Singapore are Chinese (74.2%), Malay (13.4%) and Indian descent (9.2%). All of the three groups are of majority proportion and importance for the stability of the country. Furthermore, the long-term cultural interaction between the three major ethnic groups has largely shaped the social values, customs and ideologies in modern Singapore. However, inevitably, there will be religious, cultural or social conflicts between these groups, which, if not dealt with properly, will pose serious turmoil to the governance and unity of the state. This is certainly a scenario out of the favour with the Singapore government. But as long as the conflicts are kept in proportion and control, they will not pose a threat to the state's power and the legitimacy of the government. Therefore, based on these considerations, the indigenous ethnic groups became fundamental concerns for the government to maintain social stability and political steadiness. Guarding the country's unity based on such clear ethnic groupings became one of the primary political concerns and objectives at the very beginning of the country's foundation. As a consequence, the Singapore government took a much more positive and proactive position to implement policies that were mainly targeted at ensuring social and economic equity among social groups. Providing social housing is a typical example of such equity-ensuring state policies. Thus, based on indigenous features outside of government control which can also trigger social turmoil, the state of Singapore played a much more benign role in ensuring economic equity and helping to maintain harmonious social systems.

China however, lacks such an indigenous feature to motivate the government to make more effort to ensure social equity. Since Han-Chinese are the overwhelmingly predominant ethnic group and other numerous minority groups are rather scattered around the territory of China, there wasn't any major ethnic group or other indigenous factors that would threaten the sovereignty of the CCP. Although there are border issues with the autonomous provinces of minority people such as Tibet, Xinjiang and Inner-Mongolia, they are mainly political issues concerning the unity of the Chinese territory rather than threats on the unity of the mainstream Han-Chinese society. In the absence of clear ethnic or social interest groups, there has not been an indigenous incentive for the Chinese government to pursue better social equity. Therefore, the external environment was favourable to allow the CCP to set its main political objective as the maintenance of political power and sovereignty in China as a dictator. Referring this back to the conceptual model where we talked about the role of the state as one facet in political dynamics, it is a typical situation where the state holds the balance of power while it does not stand for the pursuit of overall social equity. Thus under the circumstance where there is no indigenous need for the state to pursue equity and there is no threat to

its governance, the developmental state model would give the government too much space to pursue policies which are largely based on the 'selfish' and 'self-maintained' political objectives of the government. However, the current inequalities in China grew in direct proportion to its rapid development, which was a direct result of the market and social transformation following the Reform and Opening pursued by the CCP. The growing social tensions and conflicts triggered by increasingly visible inequality gaps in the state-directed development of China have left the Chinese government in a defensive position to tackle the issues of economic inequality. From the evidence of social housing provision in China, we can see that the government has put itself in an awkward position caused by its own malign housing planning policies.

In summary, by comparing the social housing provision of Singapore and China, we can see examples of both benign and malign governance. The outcome of political dynamics in development planning of the country's economy and its attempts at coping with economic inequality are fundamentally determined by the political objectives pursued by the government, which are largely influenced and shaped by indigenous factors of each country.

#### **NOTES TO CHAPTER 4**

---

**1.** Special Economic Zone (SEZ): Meaning appointed districts where governments carry out special economic policies-such as reducing certain taxes and providing favourable infrastructure to attract foreign investment and boost export under special economic management institution and mechanism. Their economic features usually contain that the construction investments of the districts are mostly global from overseas Chinese capital, Macao and Hong Kong and the products of such districts are usually targeting at external markets. The other SEZs in China also include: Zhuhai and Shantou (Guangdong), Xiamen (Fujian), Hainan Island, Kashgar (Xinjiang).depth.

**2.** In China, the conceptualization of city is mostly based on its political municipality border defined by the government to meet the needs for socialist planned economy rather than the idea of metropolitan economic area. Therefore "cities" always contain rural area where agricultural activities are dominant in socio-economic life.

**3.** In China, especially nowadays, possession of housing (either houses or apartments) is deemed as a 'must' for people to base their lives on-especially for young/newly married couples. This ideology is possibly stronger than in the west countries either because of the Chinese traditional idea that ownership of land and property provides ultimate social position/security, or a new trend of ensuring

economic security through housing ownership as it is relatively stable in financial value and it is a luxurious product whose utility can be maintained and prolonged. Therefore, people feel a stronger sense of urgency and necessity to own a property or more to guarantee long-term economic well-being and as a instrument to prevent and deal with future financial uncertainties.

**4.** The disposable income in this article includes the income containing wages, welfare from work unit, bonus, commission on sale, and deducted taxes. However, there is other income that is from networking on guanxi, secondary occupation and other forms of income that are not recorded because of institutional defects in the tax system.

**5.** The Household Registration Policy in China: only register residents of one city who hold the household residential card are eligible for the access to a wide range of state welfare such as health care, housing fund, worker's compensation, etc. However there are large numbers of migrant workers in Shenzhen who aren't qualified for applying the registered household in Shenzhen because most of them came from rural areas in China where there is a separate system for household registration and it is hard to transfer from rural residents to urban residents.

## 5. Conclusion

This article attempts to unravel the relations between economic inequality and political dynamics from the perspective of urban development planning. A conceptual framework was first established to structure theoretical and conceptual ties between economic inequality, political dynamics and urban development planning. The framework combines political-economy explanations and urban development studies where the objective party of urban development planning acts as both an external angle to examine the relationship between economic inequality and political dynamics and a social realm that is affected by their relations. The outline of the framework started with a look at economic inequality and then explained its tie with political dynamics. When defining the latter, the author divided political dynamics into the ones that are directly involved with the power of the state such as the role of the state in development, political models and representation of civilians etc. and the ones that are involved with relatively informal political environment of civil society such as building on *guanxi*, collusion between businessmen and government officials, official corruption, wealth concentration as a result of them etc. The author then connected the dimensions in economic inequality and the political dynamics defined in the context of China. The discussion above was analysed in a political-economy framework as a foundation to explain and analyse the case-study of Shenzhen. Then the author brought in the perspective of urban development planning as a third variable to examine the relations of the pair. By establishing a connection with political dynamics in China's context, the perspective of urban development planning was shown to be relevant to reflect the relationship between economic inequality and political dynamics. So the main research question generated in the conceptual framework was to see how urban development planning affects economic inequality; and because the former stands proxy for the political dynamics, it can indirectly reveal how political dynamics affect economic inequality.

Based on the conceptual framework and research question, this article focused on the urban housing sector as a more specific domain in urban development planning in order to conduct concrete analysis and test the effects of urban development planning on economic inequality. The author adopted a specific Chinese city case of Shenzhen. The results of the statistical analysis indicate that the development of the urban housing sector fosters economic inequality among urban households in Shenzhen. Based on the discussion of how political dynamics influence and shape the development planning of the urban housing sector in Chinese cities,

the author concluded that the political dynamics exacerbate the condition of economic inequality through urban development planning and this situation has become a general trend in major Chinese cities. From a longer-term perspective, the failed state intervention in urban development planning to avoid economic inequalities had been followed and copied by various generations of cities in China so that they finally all ended up encountering the same problems. Finally, in order to detect key political factors that result in different forms of state intervention, the author took a comparative approach to contrast the benign and malign governance in the social housing provision in Singapore and China with emphasis on the indigenous characteristics and government objectives in both countries. Because Singapore had indigenous features of clear ethnic groups with potential to trigger serious social disruption, the governance of the state was motivated to prevent and tackle economic inequality more proactively. However, the Chinese government did not have similar indigenous drivers promoting benign policies so economic inequality grew along with the country's economic reformation. The Chinese government now finds it more difficult to deal with economic inequality in a passive position because of its own malign governance that resulted in the current situation. Therefore, in the realm of urban development planning, the political dynamics in Chinese cities do foster widening economic inequalities among households. From the comparison with Singapore's governance in housing development, government objectives are crucial in the results of how political dynamics can shape socio-economic outcomes, in which, indigenous factors often play critical roles.

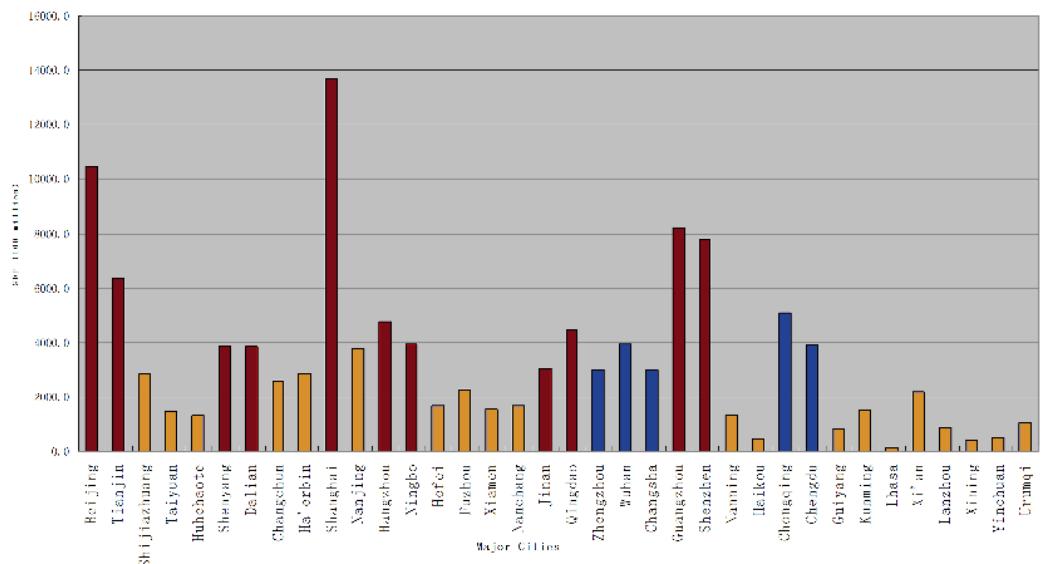
The author also considered it meaningful to follow a political-economy framework to discuss theoretical relations between economic inequality and political dynamics, and then reflects such explanations in the urban development environment. In terms of future research opportunities, studies could focus on the exploration of political dynamics in terms of how different political forces interact with each other under different macro-political systems and the economic environments. If such interactions in political dynamics could be quantified, it would make the issues more readily testable. The author regarded an emphasis on the *political* analysis in socio-economic issues such as economic inequality in the urban context more practical and meaningful than pure and separate *economic* analysis. This applies especially in terms of introspection on how a country like China can pursue political progress in urban governance while maintaining its economic vitality, stability and equity in growth and development.

## Appendices

### Appendix 1. GDP of 36 major cities in China in 2008 (RMB)\*.

Source: China City Statistical Year Book.

GDP of Major Cities 2008



### Appendix 2. Share of real estate industry in the composition of value added in tertiary industry (Percentage).

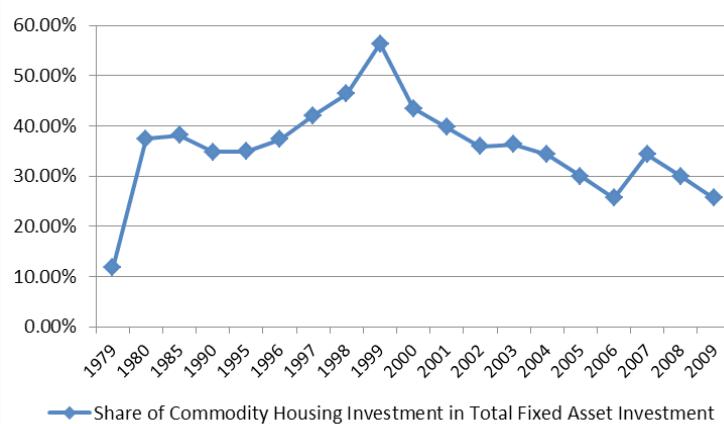
Source: China Statistical Year Book.



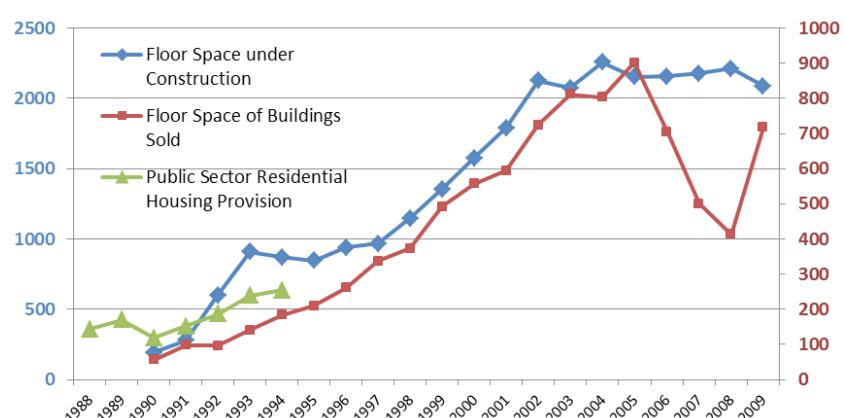
**Appendix 3.** The geographical location of Shenzhen in China and East Asia. Source: Google Map.



**Appendix 4.** Share of commodity housing investment in total investment in fixed asset. Source: Shenzhen Statistical Yearbook.



**Appendix 5.** Commodity residential housing under construction and sold; Provision of social housing (10000 sq.m.). Source: Shenzhen Statistical Yearbook; Yearbook of Shenzhen Real Estate.



## References

- Atkinson, A. B. 1970. "On the Measurement of Inequality", *Social Justice and Public Policy, Journal of Economic Theory* 2, 1970, pp. 244-263.
- Bagchi, A.K. 2000. "The Past and the Future of the Developmental State", *Journal of World-Systems Research*, Vol. XI, No.2, pp. 398-442.
- Baidu, 2011. "Is it risky to buy government financed housing in Shenzhen?", *Baidu Zhidao*. [Online] Available at: <http://zhidao.baidu.com/question/175534518.html> (in Chinese) [last accessed 1<sup>st</sup> Sep 2011]
- Bartels, L. M. 2005. "Economic Inequality and Political Representation", *Princeton University*. [Online] Available at: <http://www.princeton.edu/~bartels/economic.pdf> [last accessed 1<sup>st</sup> Sep 2011]
- Beeson, M. 2001. "The Rise and Fall (?) of the Developmental State: the Vicissitudes and implications of East Asian Interventionism". [Online] Available at: <http://espace.library.uq.edu.au/eserv/UQ:10916/mb-ds-03.pdf> [last accessed 1<sup>st</sup> Sep 2011]
- Begovic, B. 2005. "Economic Inequality and Corruption", *CLDS working paper*. [Online] Available at: [http://siteresources.worldbank.org/INTDECINEQ/Resources/1149208-1147789289867/IIWB\\_Conference\\_EconomicInequality\\_&\\_Corruption.pdf](http://siteresources.worldbank.org/INTDECINEQ/Resources/1149208-1147789289867/IIWB_Conference_EconomicInequality_&_Corruption.pdf) [last accessed 1<sup>st</sup> Sep 2011]
- Bourdieu, P. 1998. "The Essence of Neo-liberalism", *Le Monde Diplomatique (LMD)*, [Online] Available at: <http://mondediplo.com/1998/12/08bourdieu> [last accessed 1<sup>st</sup> Sep 2011]
- Breslin, S. 2007. "The Political Economy of Development in China: Political agendas and the economic realities", *Development*, Vol. 50, No. 3, pp. 3-10.
- Cass, 2011. "The Blue Book of Competitiveness of Chinese Cities in 2011: a report on Chinese cities' competitive power". [Online] Available through: <http://www.cssn.cn/> (established by Cass) (in Chinese) [last accessed 1<sup>st</sup> Sep 2011]
- Champernowne, D. G., Cowell, F. A. 1998. "Why Bothered about Inequality?", *Economic Inequality and Income Distribution*, Cambridge University Press, pp. 1-22.
- Chen, A. 2002. "Capitalist Development, Entrepreneurial Class, and Democratization in China", *Political Science Quarterly*, Vol. 117, No. 3, pp. 401-422.
- China Economic Review, 2011. "Applicant pool: Buyers of social housing units sound off", *China Economic Review Online*. [Online] Available at: <http://www.chinaeconomicreview.com/en/content/applicant-pool-buyers-social-housing-units-sound> [last accessed 1<sup>st</sup> Sep 2011]
- Chinanews, 2011. "Deng Xiaoping's South Tour Speeches", *Top 60 Events Influencing Contemporary China*. [Online] Available at: <http://www.chinanews.com/special/guoqing/60/2009/06-25/119.shtml> (in Chinese) [last accessed 1<sup>st</sup> Sep 2011]
- Cogneau, D. 2009. "The Political Dimension of Inequality during Economic Development", Paper prepared for the first conference of the GDRI GREEM, "Inequalities and development in the Mediterranean countries", 21-23 May 2009. [Online] Available at: [http://www.parisschoolofeconomics.eu/IMG/pdf/The\\_political\\_dimension\\_of\\_inequality\\_-\\_Denis\\_Cogneau-2.pdf](http://www.parisschoolofeconomics.eu/IMG/pdf/The_political_dimension_of_inequality_-_Denis_Cogneau-2.pdf) [last accessed 1<sup>st</sup> Sep 2011]
- CSC, 1998. Guanyu jinyibu shenhua chengzhen zhufang zhidu gaige jiakuai zhufang jianshe de tongzhi (in Chinese). Quoted in S. Yuan, 2008.
- CWCC, 2005. "Social Insurance and Housing Fund of Shenzhen in PRC", *Newsletter September 2005*. [Online] Available at: <http://www.cwcccpa.com/news/CWCC200509en.pdf> [last accessed 1<sup>st</sup> Sep 2011]
- Evans, A. W. 1991. "Rabbit Hutches on Postage Stamps": Planning, Development and Political Economy", *Urban Studies*, Vol. 28, No. 6, pp. 853-870.
- Flavin, P. 2009. "Income Inequality and Policy Representation in the American States", *American Politics Research*. [Online] Available at: [http://homepages.baylor.edu/patrick\\_j\\_flavin/files/2010/09/flavin\\_apr.pdf](http://homepages.baylor.edu/patrick_j_flavin/files/2010/09/flavin_apr.pdf) [last accessed 1<sup>st</sup> Sep 2011]
- Galor, Oded, Zeira, 1993. "Income Distribution and Macroeconomics", *Review of Economic Studies*, Vol. 60, No. 1, pp. 35-52.
- Gao, Q. and Riskin, C. 2006. "Explaining China's Changing Income Inequality: Market vs. Social Benefits", paper prepared for the workshop on *Creating Wealth and Poverty in Contemporary China* at Yale University. [Online] Available at: [http://policydialogue.org/files/events/Gao\\_and\\_Riskin\\_Explaining\\_Chinas\\_Changing\\_Income\\_Inequality.pdf](http://policydialogue.org/files/events/Gao_and_Riskin_Explaining_Chinas_Changing_Income_Inequality.pdf) [last accessed 1<sup>st</sup> Sep 2011]
- Gold, T. and Guthrie, D. 2002. *Social Connection in China: Institutions, culture, and the changing nature of Guanxi*, Cambridge University Press. [Online] Available at Google Books: <http://books.google.co.uk/> [last accessed 1<sup>st</sup> Sep 2011]

- Hakhverdian, 2010. "Political Representation and Income Inequality", *European University Institute, Max Weber Programme*, 2010/36, Italy. [Online] Available at: [http://cadmus.eui.eu/bitstream/handle/1814/14738/MWP\\_Hakhverdian\\_2010\\_36.pdf?sequence=1](http://cadmus.eui.eu/bitstream/handle/1814/14738/MWP_Hakhverdian_2010_36.pdf?sequence=1) [last accessed 1<sup>st</sup> Sep 2011]
- Huang, Y. 1996. Book Review on "China Deconstruct: Politics, Trade and Regionalism" edited by D. Goodman, G. Segal (1994). *The China Journal*, No. 35, pp. 156-158.
- Jian, T., Sachs, J.D., Warner, A.M. 1996. "Trends in Regional Inequality in China", *China Economic Review*, Vol. 7, No. 1, pp. 1-21.
- Jingjicankao, 2010. News accessed through *Sohu Focus*. [Online] Available at: <http://house.focus.cn/news/2010-03-18/882397.html> (in Chinese) [last accessed 1<sup>st</sup> Sep 2011]
- Kaldor, Nicoals, 1955. "Alternative Theories for Distribution", *Review of Economic Studies*, Vol. 23, No. 2, pp. 83-100.
- Kunshan BBS, 2011. [Online] Available at: <http://bbs.kshot.com/simple/?t2326343.html> [last accessed 1<sup>st</sup> Sep 2011] (in Chinese)
- Kuznets, S. 1955. "Economic Growth and Income Inequality", *The American Economic Review*, Vol. 45, No. 1, pp. 1-28.
- Lau, K. Y. 2007. "Housing Inequality and Segregation: An exploratory study on housing privatisation in Shenzhen city of the People's Republic of China", *Public and Social Administration Working Papers Series, Department of Public and Social Administration, City University of Hong Kong*. [Online] Available at: <http://www6.cityu.edu.hk/sa/staff/KYLau/wp9707.PDF> [last accessed 1<sup>st</sup> Sep 2011]
- Lin, G.C.S. 2007. "Reproducing Spaces of Chines Urbanisation: New city-based and land-centred urban transformation", *Urban Studies*, Vol. 44, No. 9, pp. 1827-1855.
- Liu, Z. 2010. "The Source and Scale of the Fiscal Income for Local Governments in China", Sub National Fiscal Research, 2010(4). [Online] Available at: (in Chinese) <http://oldweb.cqvip.com/qk/60675X/201004/33562717.html> [last accessed 1<sup>st</sup> Sep 2011]
- Lo, Yeung, 1996. *Emerging World Cities in Pacific Asia*, United Nations University Press.
- Logan, J. R., Bian Y. and Bian F., 1999. "Housing Inequality in Urban China in the 1990s", *International Journal of Urban and Regional Research*, Vol. 23, Issue. 1, pp. 7-25.
- Newman, M. K. Lam, 2000, "Government Intervention in the Economy: A Comparative Analysis of Singapore and Hong Kong", *Public Administration and Development*, vol. 20, pp. 397-421.
- OECD, 2011. "Growing Income Inequality in OECD Countries: What drives it and how can policy tackle it?", *OECD Forum on Tackling Inequality*, Paris, 2 May 2011. [Online] Available at: <http://www.oecd.org/dataoecd/32/20/47723414.pdf> [last accessed 1<sup>st</sup> Sep 2011]
- O'Sullivan, A. 2007. "Part V: Housing", *Urban Economics*, 6<sup>th</sup> Edition, McGraw-Hill/Irwin, pp. 281-320.
- Parkinson, M. 1989. "The Thatcher Government's Urban Policy, 1979-1989", *The Town Planning Review*, Vol. 60, No. 4, pp. 421-440.
- Provision of Public Housing in Singapore, 2011. [Online] Available at: [http://ssc.undp.org/uploads/media/Public\\_housing.pdf](http://ssc.undp.org/uploads/media/Public_housing.pdf) [last accessed 1<sup>st</sup> Sep 2011]
- Rosset, J., Giger, N., Bernauer, J. 2011. "Political Representation of the Poor and Economic Inequality: A Comparative Analysis", paper prepared for academic purposes. [Online] Available at: <http://repcong.univie.ac.at/sites/default/files/Economic%20inequality%20and%20representation%20Rosset%20Giger%20Bernauer.pdf> [last accessed 1<sup>st</sup> Sep 2011]
- Sener, M.Y. 2011. "The Relationship between Neoliberalism and Authoritarian States: the Case of Turkey", *Robinson Rojas Databank*, [Online] Available at: <http://www.rrojasdatabank.info/neolibstate/meltemyilmazsener.pdf> [last accessed 1<sup>st</sup> Sep 2011]
- Solinger, 1995. Book Review on "China Deconstruct: Politics, Trade and Regionalism" edited by D. Goodman, G. Segal (1994). *The China Quarterly*, No. 143, pp. 890-892.
- Solt, F. 2004. "Economic Inequality and Democratic Political Engagement", paper presented at the Annual Meeting of the *Midwest Political Science Association*, 15<sup>th</sup>-18<sup>th</sup> April 2004, Chicago, Illinois. [Online] Available at: <http://www.unc.edu/~fredsolt/papers/Solt2004MPSA.pdf> [last accessed 1<sup>st</sup> Sep 2011]
- Solt, F. 2008. "Economic Inequality and Democratic Political Engagement", *American Journal of Political Science*, Vol. 52, No. 1, pp. 48-60. [Online] Available at: <http://usjamerica.files.wordpress.com/2010/01/25193796.pdf> [last accessed 1<sup>st</sup> Sep 2011]
- Sun, J. 2008. "China become the most unequal country in the world", personal blog on 29<sup>th</sup> Dec 2008. [Online] Available at: <http://sunjinping.blshe.com/post/1214/311807> [last accessed 1<sup>st</sup> Sep 2011] (in Chinese)
- The Times*, 27<sup>th</sup> July 2011. "China's Future", *Leading Articles*, *The Times*, No. 70296, pp. 2.
- Treanor, P. 2005. *Neo-liberalism: Origins, Theory, Definition*. [Online] Available at: <http://web.inter.nl.net/users/Paul.Treanor/neoliberalism.html> [last accessed 1<sup>st</sup> Sep 2011]
- Tsui, Yuen, 1991. "China's Regional Inequality, 1952-1985", *Journal of Comparative Economics*, Vol. 15, pp. 1-21.
- UPLRC, 2007. "Investigation Report of Residential Housing Conditions in Shenzhen", *Urban Planning, Land and Resource Commission*. (Quoted in S. Yuan, 2008, pp. 1)
- UPLRC, 2010. "Analysis of the Market Operation of Real Estate in Shenzhen", Shenzhen Real Estate Research Centre. [Online] Available at: <http://www.szpl.gov.cn/xxgk/fdcgl/fdctjfx/> (in Chinese) [last accessed 1<sup>st</sup> Sep 2011]

- Wan, G. and Zhang, X. 2006. "Rising Inequality in China", *Journal of Comparative Economics*, Vol. 34, pp. 651-653.
- Wu, F. 2002, "China's Changing Urban Governance in the Transition towards a More Market-oriented Economy", *Urban Studies*, Vol. 39, No. 7, pp. 1071-1093.
- Yang, D. T. 1999. "Urban-biased Policies and Rising Income Inequality in China", *The American Economic Review*, Vol. 89, No. 2, pp. 306-310.
- Yang, 2006. "Economic Transformation and its Political Discontents in China: Authoritarian, Unequal Growth, and the Dilemma of Political Development", *Annual Review of Political Science*, 2006(9), pp. 143-164.
- Yuan, S. 2008. "Research into the Price of Residential Housing in Shenzhen", *Nanchang University*. [Online] Available at: <http://wenku.baidu.com/view/02f52c1fa300a6c30c229fa5.html> [in Chinese] [last accessed 1<sup>st</sup> Sep 2011]
- Zantrio, 2011. *Wealth Condensation (definition)*. [Online] Available at: [http://zantrio.com/dictionary/wealth\\_condensation.php](http://zantrio.com/dictionary/wealth_condensation.php) [last accessed 1<sup>st</sup> Sep 2011]
- Zhang, X. 2006. "Fiscal Decentralization and Political Centralization in China: Implications for growth and inequality", *Journal of Comparative Economics*, Vol. 34, pp. 713-726.
- Zhou, X. 2000. Economic Transformation and Income Inequality in Urban China: Evidence from Panel Data, *American Journal of Sociology*, Vol. 105, No. 4, pp. 1135-1174.
- Extended Bibliography**
- Acemoglu, D. et al. 2007. "Economic and Political Inequality in Development: The case of Cundinamarca, Colombia", *NBER Working Paper*, No. 13208. [Online] Available at: <http://www.nber.org/papers/w13208> [last accessed 1<sup>st</sup> Sep 2011]
- Chen, A. 2003. "Rising-Class Politics and its Impact on China's Path to Democracy", *Democratization*, Vol. 10, No. 2, pp. 141-162.
- Eng, T.S. and Kong, L. 2011. Public Housing in Singapore: Interpreting "Quality" in the 1990s. [Online] Available at: <http://profile.nus.edu.sg/fass/geokongl/tsehse.pdf> [last accessed 1<sup>st</sup> Sep 2011]
- Fernandes, L. 2004. "The Politics of Forgetting: Class Politics, State Power and the Restructuring of Urban Space in India", *Urban Studies*, Vol. 41, No. 12, pp. 2415-2430.
- Goodman, D. and Segal, G. 1994. *China Deconstruct: Politics, Trade and Regionalism*. [Online] Available at Google Books: <http://books.google.co.uk/> [last accessed 1<sup>st</sup> Sep 2011]
- Johnson, C. 1999. "The Developmental State Odyssey of a Concept", *The Developmental State*, edited by Woo-Cumings, Meredith, Cornell University Press.
- Judge, D., Stoker, G. and Wolman, H. (editors), 1995. *Theories of Urban Politics*. [Online] Available at Google Books: <http://books.google.co.uk> [last accessed 1<sup>st</sup> Sep 2011]
- Knight, J. and Lina, S. 1991. "The Determinants of Urban Income Inequality in China", *Oxford Bulletin of Economics and Statistics*, Vol. 52, No. 2, pp. 123-154.
- Lu, M. and Chen, Z. 2006. "Urbanization, Urban-biased Policies, and Urban-Rural Inequality in China, 1987-2001", *The Chinese Economy*, Vol. 39, No. 3, pp. 42-63.
- Muller, E.N. 1985. "Income Inequality, Regime Repressiveness, and Political Violence", *American Sociological Review*, Vol. 50, No. 1, pp. 47-61.
- Park, B. G. 1998. "Where Do Tigers Sleep at Night? The State's Role in Housing Policy in South Korea and Singapore", *Economic Geography*, Vol. 74, Issue. 3, pp. 272-288.
- Rodríguez, F. 2000. "Inequality, Economic Growth and Economic Performance", a background note for the *World Development Report 2000*. [Online] Available at: <http://siteresources.worldbank.org/INTPOVERTY/Resources/WDR/Background/rodriguez.pdf> [last accessed 1<sup>st</sup> Sep 2011]
- Schroeder, M.B. 2008. "Economic Inequality, Economic Segregation, and Political Participation", a dissertation in sociology, College of the Liberal Arts, The Pennsylvania University. [Online] Accessible at: [http://books.google.co.uk/books?id=7piP1mf8oEMC&printsec=frontcover&source=gbs\\_ge\\_summary\\_r&cad=0#v=onepage&q=f=false](http://books.google.co.uk/books?id=7piP1mf8oEMC&printsec=frontcover&source=gbs_ge_summary_r&cad=0#v=onepage&q=f=false) [last accessed 1<sup>st</sup> Sep 2011]
- Thorbecke, E. and Charumilind, C. 2002. "Economic Inequality and its Socioeconomic Impact", *World Development*, Vol. 30, Issue. 9, pp. 1477-1495.
- Waddell, P. 2002. "UrbanSim: Modeling Urban Development for Land Use, Transportation and Environmental Planning", *Journal of the American Planning Association*.
- Zhang, L.Y. 1999. "Chinese central-provincial fiscal relationships, budgetary decline and the impact of the 1994 fiscal reform: An evaluation", *China Quarterly*, Vol. 157, pp. 115-141.
- Zhongfangxin, 2010. "Annual Report on the Real Estate Market of Shenzhen in 2011", *China Real Estate Statistical Yearbook*. [Online] Available at: (in Chinese) <http://wenku.baidu.com/view/5d37434acf84b9d528ea7a34.html> [last accessed 1<sup>st</sup> Sep 2011]
- Statistics**
- China City Statistical Yearbook, various years. [Online] Available at: [www.pinggu.org](http://www.pinggu.org) (In Chinese-China People's University BBS) [last accessed 1<sup>st</sup> Sep 2011]
- China Statistical Yearbook, various years. [Online] Available at: <http://www.stats.gov.cn/english/> [last accessed 1<sup>st</sup> Sep 2011]

- R. Rojas Archive, 2010. Lecture notes for UE1-Urban Development and Economics. [Online] Available at: <http://www.rrojasdatabank.info/nolecno.htm> [last accessed 1<sup>st</sup> Sep 2011]
- Shenzhen Statistical Yearbook, various years. [Online] Shenzhen Statistical Bureau, Available at: <http://www.sztj.com/main/> (in Chinese) [last accessed 1<sup>st</sup> Sep 2011]
- UPLRC (Urban Planning, Land and Resources Commission of Shenzhen Municipality), 2011. [Online] Available at: <http://www.szpl.gov.cn/xsgk/fdcgl/fdctjfx/> (in Chinese) [last accessed 1<sup>st</sup> Sep 2011]
- World Bank, 2005a, 2005b. Table 2.7. Quoted in D. L. Yang, 2006, "Economic Transformation and its Political Discontents in China: Authoritarian, Unequal Growth, and the Dilemma of Political Development".
- World Bank, 2011. Data on Poverty category, China. [Online] Available at: <http://data.worldbank.org/indicator/SI.DST.04TH.20/countries/CN?display=graph> [last accessed 1<sup>st</sup> Sep 2011]
- Yearbook of Shenzhen Real Estate, used in K.Y. Lau, 1997.





## DPU WORKING PAPER NO. 148

The Development Planning Unit, University College London (UCL), is an international centre specialising in academic teaching, research, training and consultancy in the field of urban and regional development, with a focus on policy, planning, management and design. It is concerned with understanding the multi-faceted and uneven process of contemporary urbanisation, and strengthening more socially just and innovative approaches to policy, planning, management and design, especially in the contexts of Africa, Asia, Latin America and the Middle East as well as countries in transition.

The central purpose of the DPU is to strengthen the professional and institutional capacity of governments and non-governmental organisations (NGOs) to deal with the wide range of development issues that are emerging at local, national and global levels. In London, the DPU runs postgraduate programmes of study, including a research degree (MPhil/PhD) programme, six one-year Masters Degree courses and specialist short courses in a range of fields addressing urban and rural development policy, planning, management and design.

Overseas, the DPU Training and Advisory Service (TAS) provides training and advisory services to government departments, aid agencies, NGOs and academic institutions. These activities range from short missions to substantial programmes of staff development and institutional capacity building.

The academic staff of the DPU are a multi-disciplinary and multi-national group with extensive and on-going research and professional experience in various fields of urban and international development throughout the world. DPU Associates are a body of professionals who work closely with the Unit both in London and overseas. Every year the student body embraces more than 45 different nationalities.

To find out more about us and the courses we run, please visit our website: [www.bartlett.ucl.ac.uk/dpu](http://www.bartlett.ucl.ac.uk/dpu)

