Neoliberalism and Urban Redevelopment in China: The nexus between the state, market, and Society

Executive Summary

Existing dominant studies on China's neoliberalization focus on political-economic mechanisms and institutional incentive systems that highlight the authoritative role of the state in sponsoring and incentivizing the private sector towards the commodification and monetization of several components of urban living. Meanwhile, as these dominant state forces take their course, the structure of urban areas is altered, and further transformations are shaped by the consumption patterns of the new market society. Regardless, there have been few studies in Chinese neoliberal literature highlighting the role that society plays in urban development. This paper explores the interaction between the Chinese neoliberal state, the market, and the consumer society in the production of urban areas. The paper establishes that the emergence of the Chinese middle class and their consumption patterns, while shaped by state neoliberal reforms, significantly influence the production of urban space.

Keywords

Neoliberalism, urban redevelopment, state, market-society, China

1. Introduction

The relationship between neoliberalism and the city has been a topic for many scholars over the past two decades. Notable among them are Neil Brenner, Jamie Peck, and Nik Theodore. Many of these early works identify neoliberalism as a variable for explaining transformations in urban areas[1], as a political ideology and political project, and as an incomplete process. However, these concepts of neoliberalism have been argued to have emerged from macro-scale and an all-encompassing strand of assessment that usually mixes neoliberalism with liberalism and capitalism[2]. Neoliberalism has been a notable explanation for urban transformation in many cities around the world, which makes it an important concept to examine. Nonetheless, the concept has been broadly and widely used to explain almost every level of change in many cities including the emergence of mega projects, new governance structures, gentrification, utility provision, and the role of non-governmental actors. Le Gales (2016) argues that these claims are usually broad and general, fall short of empirical data, and are characterized by other processes such as globalization, financialization, privatization, and capitalism. Le Gales further submits that neoliberalism may not be the only overarching concept explaining the transformation of urban cities and other urban agglomerations[3]. Many other factors such as state socialism, liberalism, the politicization of projects, and globalized capitalism have played

[1] PECK J. (2013) Explaining (with) neoliberalism, Territory, Politics and Governance 1(2), 132–157
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[3] Le Galès, P. (2016). Neoliberalism and urban change: Stretching a good idea too far?. *Territory, Politics, Governance*, *4*(2), 154-172. Pg 156

fundamental roles in the transformation of cities. The adoption of a specific and clearer local representation of neoliberalism becomes important in examining urban transformations. An ideal neoliberal city would be characterized by the intensification of market logic[4], privatization[5], urban governance as a tool for defining property rights, rules, and norms and maintaining social order through the adjustment of market norms, and the financialization of housing[6]. In this paper, I adopt a more geographic rather than an idealized definition of neoliberalism, and the social-cultural choices of urban residents as central to the transformation observed in some Chinese cities.

Many long-standing studies in Chinese urban development have attributed the urban transformation to the neoliberal shifts in which both the national and local states act as enablers of market mechanisms. There has been limited attention to other factors that shape the urban space and socio-economic structure beyond the Marxist political-economy repertoire. In this paper, I argue that there is rather an interconnectedness between the state, market, and society that recognizes a shift from broadly examined theoretical processes of production of space to its consumption. Neoliberalization in Chinese cities is underpinned by both globalization[7] as well as national reforms and local initiatives[8]. 1980s Chinese urbanism saw the implementation of market reforms followed by land and housing reforms[9]. Land developers obtained land-use rights from local governments and used the opportunity to accumulate capital through residential property development. Local governments had limited revenue from taxes due to 1994 tax-sharing reforms that enabled central governments to maintain control over fiscal allocations[10]. Thus, land leasing to property developers in the space of housing commodification seems the best strategy for local governments to obtain revenue from their land resources[11]. Neoliberalism in urban China is thus manifested in the growth of the property market and the emergence of redevelopment projects dominated by the state and preceded by the market[12]. The state plays a leading role in the mobilization and regulation of the market by its agenda for economic prosperity and increased fiscal revenue[13]. The state legitimized market activities, recommended redevelopment schemes, and implemented infrastructural projects[14]. In addition, the state controlled urban planning and held a monopoly over land ownership, and consequently had a great influence on the production of space[15]. The consequence of these is an unprecedented urban development within an

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[13] He, S. and F. Wu (2009) China's emerging neoliberal urbanism: perspectives from urban redevelopment. *Antipode* 41.2, 282–304.
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increasingly urbanizing process[16]. The major question asked is, is neo-liberalization and urban development in Chinese cities entirely under the direction of the authoritarian state and market forces, and excludes society?

A fundamental characteristic of this urban transformation is gentrification marked by the regeneration of inner cities and the construction of new towns in suburban and rural areas. Property developers are central to these transformations under state sponsorship[17]. Under this recognition of state and market forces, the role of society seems to be rather passive. Society has become vulnerable to the effects of these neoliberal changes. Scholars have documented the consequences suffered by society in this urban growth regime including displacement, demolitions, forced evictions, and residential relocations[18] as well as the social tensions and conflicts between local governments and affected residents that followed[19]. In China, neoliberalism is followed by the ‘’state-engineered development of a socialist market economy” which is achieved through several market restructuring strategies encompassing decentralization, privatization, and deregulation[20]. Observed from a Marxist political-economy perspective, neoliberal urban development in China is seen as a process of commodification of land and labor, and suppression of social concerns under the manipulation of the authoritarian state[21]. Some scholars argue that society was powerless, and its resistance was suppressed[22]. However, over the past two decades, neoliberal urban development has resulted in the making of the market society through social transformation[23]. Consumerism manifested in market exchange has become an emergent mode of social integration in Chinese urbanism[24], echoing market rule as an institution of change. An established market society with market rules is composed of interaction between production and consumption, which is underpinned using ubiquitous market strategies. This involves the commodification of labor, goods, and services, value is measured by price and money used as a medium of exchange. The production of urban space follows the same analogy and might be ‘’stimulated by a social demand for consumption, or the consumption of urban space may emerge as a response to production mechanisms[25]. While there have been a lot of studies on the neoliberal urban development in Chinese with a focus on the pervasively state-led and market-dominated production perspective, there has been limited assessment of how the consumption patterns of the market society shape urban (re)development in Chinese cities.

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In this paper, I use a secondary review of a case study of Chengdu city by Qinran Yang and Min Zhou to explore how neoliberal urban development in the Chinese city is shaped by the interaction between the state, market, and society.

2. Neoliberalism and urban entrepreneurism

Most of China's neoliberal urban development strategies date back to the 1980s fiscal restructuring and institutional reconstitution. These reforms gave the local state enormous powers over the local economy and urban development, and enhanced competition through the personnel promotion tournament orchestrated by the central government. These market-oriented reforms elaborated two main tasks; first the creation of new incentives at the local level to promote efficiency and production, and second the transfer of development to local government[26]. By these measures, local governments have become inhibitors and facilitators of market operation. Consequently, the local state grew into a corporate[27] and an entrepreneurial state[28]. The 1994 tax-sharing reform resulted in a shift of local state entrepreneurism towards urban redevelopment. The local state accumulated fiscal revenue through a real estate market facilitated by housing commodification, privatization, and a land leasing system[29]. Chinese neoliberal urban development has therefore been underpinned by urban entrepreneurism. The urban planning system in China used to embody two systems with a focus on land-use control ('granting permission for land conversions from rural to urban, regulation of land development quotas, and maintenance of agricultural land')[30], and long-term socio-economic development strategies including infrastructure distribution, population size, and development strategies. However, urban corporatism meant that local-level urban planning shifted towards a pro-growth direction underscored by neoliberal urban redevelopment. The entrepreneurial local state proposes long-term gentrification strategies, and mechanisms to promote economic and socio-spatial development of the (re)development area. In effect, the local government creates an enabling environment for private sector involvement in real-estate development and accruing profit. Consequently, stimulates revenue from land and promotes economic growth at the local level. The local state also coordinates with commodified and profit-oriented planning institutions to formulate master plans. Neo-liberalization is thus the intrusion of market mechanisms into that state and urban development apparatus in promoting Chinese entrepreneurism. Additionally, the state exercises some coercive forces like dispossession as an active instrument in gentrification. This has promoted speculative urbanism and portrayed the state as selectively using different governance strategies to secure capital and maintain its authority[31].

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During its entrepreneurial drive, the Chinese local state targets mostly state-owned enterprises (SOEs), local enterprises, various large-scale enterprises, and foreign capital and investment. In respect, property developers have become important actors in the local state pro-growth machinery. Consequently, there has been the formation of an informal-developer coalition[32] within which the local state directs capital towards its development schemes and growth strategies. Regardless, the role of these actors in urban (re)development is largely determined by the local state, under the strict supervision of the central government and coalitions may fail when national policies are violated[33]. Outside these pro-growth coalitions are market agents like landlords and self-employed entrepreneurs engaged in housing and the provision of other services. Recognizing that spatial patterns reflect socioeconomic differences in urban areas, it can be asserted that there is an uneven distribution of varied types and levels of business and housing consistent with the socioeconomic status of dwellers in different parts of the city. Local small entrepreneurs and landlords have been noted to influence the production of urban spaces usually spontaneously and sporadically without the hand of the local state. For instance, in urban villages, low-cost rents and unfavorable environmental conditions become appealing to low-income tenants and small or low-end businesses[34]. Even though these are permitted by the local government, the sporadic nature of their activities suggests that their activities are primarily influenced by the invisible hand of the market. Particularly, they may succeed or fail depending on the consumption preferences and social demands of their consumers[35]. They may even complement the pro-growth production of urban space and may contribute immensely to urban development. For instance, it has been argued that urban villages shelter low-income migrants and help to eradicate social instability[36].

3. Consumerism and socio-cultural reproductions

Against the backdrop of the post-reform era, the pro-growth and economic reform mechanisms of the central government birthed an emerging strand of commodification and consumerism. The state retreated in its control of the flow of commodities and implicitly allowed people to be more sociable[37]. Post-socialist urban China has experienced a shift in socioeconomic structure and consumer culture[38]. A characteristic of this consumer shift is socioeconomic inequalities in many Chinese cities, differing according to region and demography[39]. For instance, it has been found that neighborhood characteristics had a significant influence on people's housing preferences followed by other

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demographic characteristics such as education, occupation, age, and income. Consumption is a function of cultural practice embodying socio-cultural elements like lifestyle, personality, aesthetics, and state[40]. Consumption is manifested firstly in the interaction between production and consumption and how that shapes the urban landscape. For instance, the re-urbanization of urban villages through studentified consumption, and how the interaction between neoliberal ideas and middle-class aesthetics transformed private properties into gated communities have been studied by He (2015) and Pow (2009) respectively. These urban transformations show the socio-cultural identities in Chinese urbanism as both middle-class property owners and students are identified as consumers, expressing their social identities through their consumption patterns manifested in their specific desire for aesthetics. By this, there is an established relationship between their heterogeneous consumers and varied market agents through market exchange. Thus, noting the retreat of the state on people's consumption behavior, and having dominated neoliberalism, that state facilitated the creation of a market rule with pertinent consumerism and commodification. Consequently, the Chinese consumer society as well as market agents have become prominent actors in Chinese urbanism.

Another influence of consumption on socio-economic transformation can be accorded to consumption patterns and socio-cultural reproduction by a particular socio-economic group. For instance, in their study, Qian *et al.* (2013) uncovered how artisans influenced two-stage gentrification in Xiaozhou Village[41]. In the first stage gentrification process, artisans started residing in the Village, transforming it into an important artisan enclave through their cultural reproduction and aestheticization of the village. Consequently, art institutes and students started trooping in resulting in a second stage of gentrification where the new consumers displaced the former artisans. The Xiaozhou Village became commodified and studentified.

4. A Case Study: Chengdu Central City

4.1 Neighbourhood characteristics and socio-economic restructuring

Chengdu is the capital of the Sichuan Province in the Western part of China. The City has become a forerunner of China's national strategy in developing the West [42]. The purpose of the national strategy has been to direct development attention towards the west and the inland[43]. The city's leaders have worked in the past two decades to advocate for urban development strategies that promote the city's integration into the global economy. Even so, now the city is leveraging its consumer market sustained through ‘’youthful aesthetics, liveable environments, and comfortable lifestyle. The city has

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been recognized as a global commercial center in addition to Chongqing and Beijing[44]. The central city comprises five districts. However, this review is more focused on the inner city with the spatial extent within the second ring road in Fig.1. With a total land area of about 60km2, the inner city is



Figure 1. Map of Chengdu Central City
Source: Yang, Q., & Zhou, M. (2018)

home to about 1.9 million people[45]. According to *Yang, Q., & Zhou, M. (2018)*, Chengdu transitioned economically from secondary to tertiary industries between 1990 and 2010 but had still not reached a knowledge-based economy that would have characterized a complete and pervasive middle-class social structure. There was rather an increase in manufacturing and service labor employment with the exception of the social service sector, and most of the labor force came from low-skilled service employment. Nonetheless, high-skilled employment was increasing at a faster rate between 1990 and 2010. High-skilled employment in 2010 had increased by about 4.9 times the number in 1990. The rapidly growing sector in this high-skilled employment was real estate, increasing the number of jobs by about 35 times the number in 1990, followed by the financial and insurance sectors. Regardless, highly skilled workers made up only a small fraction (about 6.9%) of the total employment and the socio-economic structure of Chengdu. Thus, even as the social structure was gentrifying towards a more middle-class society, by 2010 Chengdu still experienced a rapid growth of low-skilled workers.

4.2 State urban reforms and the consumer revolution

The city has been designated by the central state as a city that is open to the world and facilitated a diversification and internationalization of the urban region. International capital started flowing into

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the city. Development corporations began redevelopment of high-end neighborhoods like Fairview Park. Fairview Park which was completed in 2000 by a Singapore development company (Huaxin International) symbolized the onset of a new consumer class. The latter part of the 2000s has seen an influx of international investment in the city following increasing housing prices. The late 2000s emergent foreign-real estate market was characterized by Western-style condominiums fitted with sophisticated security systems, and indoor facilities such as cafes, clubs, and fitness centers. These were the emblems of the new lifestyles of the upper middle classes in the emergent urban spaces. These highlighted the international consumerism among the Chinese elite. The post-socialist social transformation in urban China exposed the new market society to a cultural and class remaking. The new consumer classes are claiming their new cultural distinctiveness through the newly built communities where they form new patterns of collective interests[46].

The inner city of Chengdu's social restructuring shows the growth of people with university degrees and professional employment in the 2000s[47]. Consequently, neighborhood redevelopment displaced people with especially secondary education and low-skilled workers in some parts of the inner city. Those displaced were forced to move to other parts of the city. Generally, the population of people with low education and low-skilled workers declined in many parts of the inner city. Areas that experienced restructuring of the social makeup were the new financial corridor and renovated historic sites. Thus, innovative urban redevelopment strategies adopted by the city were the major contributing factor in remaking the socioeconomic structure of the city center towards a more middle-class and consumer society enclave. The new market society mainly emerged in manufacturing neighborhoods. The urban revolution also involved the growth of workers in finance and business. This is an indication that the restructuring of the social structure in the city was followed by the development of financial districts and deindustrialization, mainly fuelled by state urban strategies directed towards industrial transformation. Between 2002 and 2007 the municipal government initiated programs for the relocation of state-owned manufacturing enterprises to eastern parts of the city to make land available for reinvestment. Some of the areas that became available were redeveloped and renamed Wall Street in western China, receiving a comprehensive industrial advancement and reconstruction of the landscape. The new urban landscapes received an influx of high-income earners and some degree of social class mixing with high-earning industrial workers. The city also experienced a marked increase in private sector managers among the new middle class within the inner city.

Housing consumption patterns within the city revealed that areas within the inner city with high levels of public tenants and subsidized housing experienced urban redevelopment the most. As the new market society grew in the inner city, there was a marked increase in the homeownership of commodified apartments and a decrease in subsidized housing. Consumption patterns were directed

[46] Pow, C.P., 2009. Gated Communities in China: Class, Privilege and the Moral Politics of the Good Life. Routledge, London
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towards improved housing quality in addition to the specificity of accompanied facilities that suited the interests of the new market society. Consequently, it can be inferred that the restructuring of social groups informed the consumption preferences for housing in the inner city. Additionally, the redeveloped historic centers within the inner city saw an influx of art industries and artisans, inspiring consumption and recreation among art and cultural pioneers in the city. Their consumption patterns further led to residential development within the centers and surrounding areas.

5. Conclusion

Chinese urbanism has increased following the introduction of market-oriented reforms. Neoliberalization in urban development has facilitated a renewed form of urbanization and wealth accumulation primarily under the guise of the entrepreneurial state[48]. Existing studies on Chinese urbanization and neo-liberalization expand institutional incentive mechanisms such as privatization, commodification, decentralization, and deregulation as the drivers of Chinese neoliberal urbanism[49]. There has been tremendous focus on the pro-growth and fiscal incentives approaches of the entrepreneurial local state.

Urbanisation is recognized as a spatially rooted social process that embodies the interaction between different actors and their varying interests through the configuration of space[50]. The political economy of Chinese neoliberalism highlights the state legitimization and supervision of capital forces and society at the receiving end of all its effects. Society is seen as vulnerable and suffers an exclusion from the transformation of urban space. Meanwhile, neo-liberalization has resulted in changes in Chinese society. Most profoundly among these social changes is the creation of the Chinese market society or middle-class[51]. As market mechanisms are found in almost every aspect of Chinese social life, production, and consumption relations define integration into Chinese society. As a result, consumers in the society become fundamental to Chinese neoliberal urbanism.

This paper explores Chinese neoliberal urban development beyond the Marxist political-economy perspective and draws attention from production to consumption. By examining different secondary research materials, I identify the different roles played by the state, market, and society and the neo-liberalization that ensues from the interaction between the three. I draw insight from the gentrification and the production of urban space in Chengdu's inner city in the western part of China. The city's neoliberal urbanism exemplifies a nexus between the state, capital forces, and market society. First, state policies and strategies aimed at opening the city to the global economy provided an enabling environment for the influx and success of international and foreign capital through

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redevelopment schemes. The local state began realizing its vision by commodifying the urban space for property developers to redefine the urban space. Essentially, the strategies of the local government promoted a marketization of the urban space. Second, these initial neoliberal approaches resulted in the creation of a new market society and gentrification that displaced low-skilled inhabitants. The inner-city areas and surrounding areas that were renovated or redeveloped experienced a remark of the social structure towards a middle-class society characterized by high education, relatively higher incomes, and within the professional sectors. Third, the new consumer society further created new urban realities within the inner-city and surrounding areas through their housing consumption patterns manifested in their collective interest in the specific nature and quality of housing and related services.

Neoliberalization has a configuration of the connection between the state, market, and society against the backdrop of rules for capitalization and commodification. As social life becomes commodified, the entrepreneurial local state and market take advantage to make economic capital from the consumer society. The cultural capital of certain social groups produced through their consumption patterns is capitalized on by the corporate state and the market to economic capital. Society also contributes to the commodification of social life and the production of space by directing their collective interest and capital towards various investments. The process leads to different productions of the urban space. While it could promote the development of high-income gentrified neighborhoods and gated communities, the displacement of vulnerable groups can result in the creation of new and reinforcement of existing low-income communities. The neo-liberalization of Chinese urbanism shows that the relationship between the state, market, and society has been remodelled indicating that the entrepreneurial local state is not dominant but bounded by market rule.

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