

Shallow Urbanization of China and Policy Experiments of Chongqing

By

Chang Liu

Advised by Professor Xiangming Chen and Professor Carol Clark

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Abstract

China has attained a miraculous two digit economic growth in the last three decades. Contributing to this growth was the inflow of migrant workers, amounting to more than 160 million today, from countryside to cities. However, deprived of economic opportunities, excluded from the urban social provision, and denied of urban identity, these migrant workers are not fully integrated into cities: their urbanization remains shallow. As a result of government failures and potential source of inefficiencies in the economy, the shallow urbanization should be rectified. To address this problem, central and local governments of China have proposed various policies, among which the most genuine and systematic are the policies of Chongqing. The policy scheme, featuring household registration reform, public housing projects, and land coupon experiments, may help to deepen the shallow urbanization. This paper looks at shallow urbanization from both theoretical and empirical perspectives, and evaluates Chongqing's experiment on its effectiveness and sustainability in deepening the shallow urbanization. It concludes that Chongqing's policy experiment is well intended and designed, but certain problems inherent in the policy may hinder it from being fully effective and sustainable and can be improved with modifications.

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I. Introduction

In the past three decades, China has achieved one of the most impressive economic growth in history. With an average GDP growth rate of nearly 10% from 1979 to 2011, the country, with a GDP of more than 7 trillion USD, surpassed Japan and became the world's second largest economy in 2011. Along with this substantial economic growth was an equally impressive urbanization. By the end of 2010, more than 665 million Chinese people were living in urban areas, which was about 49% of the total population of China. A McKinsey report projected that the Chinese urban population would reach 926 million by 2025 and top 1 billion by 2030 (Devan, Negri and Woetzel, 2008). This forecast is reasonable considering the enthusiasm of Chinese government at central and local levels in pursuing and pushing urbanization. These governments see the urbanized population as cheap labor essential for the newly established factories and expect the urban wage earned by these former peasants to be used to improve their living standards and that of their families.

Though the first objective of supplying cheap labor for industrialization has been largely successful, the newly urbanized laborers have not improved their lives as much as expected. These former peasants are poorly educated and thus can only fill temporary, manual position with very low wages. They can only afford terrible accommodations at the edge of the cities and rarely bring their families with them. The household registrations block them from social benefits and services available to urban residents, and the rocketing urban housing price, as a result of restrictive land policies, further stops them from settling down. As a result, a peculiar phenomenon occurs: rural migrants hardly integrate into cities and are “floating” between cities and villages. Chinese scholars call this phenomenon “shallow urbanization” in the sense that these migrants only participate in urban societies in a shallow way.

This shallow urbanization is most clearly manifested in the migrants' circular movements. As

they come to the city only with the intension to work for part of their life, migrants leave their family, most often the children and the elderly, at home. These migrants would have to come back and forth each year, especially during the Spring Festival, the traditional occasion for family reunion- thus creating a seasonal cycle of migrant workers. More interestingly, the migrants often retire when they are in their 40s or 50s and go back to the villages, whereas their children will enter the cities and take up their posts- thus creating a generational cycles. Both cycles are readily observed and are indeed somewhat special to China, and should be considered a direct result of the particular institutional arrangements.

In 2007, Chongqing, the biggest city in western China, was named the National Economic Experimental Zone for Urban-Rural integration with one of its goals to rectify the direction of urbanization so that the rural residents can benefit from it. The city devised a whole set of inter-related policies to increase the quality of urbanization, or in other words, to deepen the shallow urbanization. Among them are a household registration reform, a public housing program and a land coupon experiment. The new household registration policy of the city will gradually recognize migrant workers as urban residents and allow rural peasants to freely join the city with urban registration. With urban registration, the new urban citizens can enjoy the same social provisions as old urban citizens. Such measure is rare in China as household registration is often favored by local governments to exclude migrants and peasants from urban social provision, so as to control government budgets. On the other hand, the public housing project aims to provide cheap and high-quality housing to low-income households including migrant workers. The project may help migrants to settle down by eliminating a major obstacle of high housing prices.

Finally the land coupon experiment encourages villagers to convert unneeded rural construction land to farmland and sell a land coupon with which a developer can convert an equal amount of farmland anywhere in the city to urban construction land. Due to concerns of food

security, the central government of China has set tight quotas each year for farmland to be taken for urban expansion for every city, the land coupon then enable the developers to use farmland for their projects uncontrolled by quota, since their usage would be compensated in some other place. Local government can extract revenue from the coupon enabled projects. And the revenue from the coupon trade would facilitate the villagers to pursue a new life in cities.

As Chongqing's policy experiment is in effect for a few years now, this paper aims to place it in the context of China's shallow urbanization, to evaluate its efficiency in deepening the shallow urbanization, and to analyze its potential problems. This paper starts to look at shallow urbanization through three theoretical perspectives, namely that of under-urbanization, the city as growth machine, and the migration theories. Following that the paper turns to an overview of the shallow urbanization phenomenon and consider the migrants' decision of not settling down to be a result of three direct causes: the shortage of economic opportunities, social exclusion and segregation, and the lack of urban identity.

After discussion on the shallow urbanization phenomenon, the paper introduces and evaluates Chongqing's policy experiments to deepen this shallow urbanization. Focus is placed on how the policies may address the three direct causes of shallow urbanization. The paper then turns to check for observed and potential problems of the policy scheme, including problems in the enforcement, problems associated with the authoritarian government, and problems of financial sustainability. The paper concludes that shallow urbanization is an inefficient outcome largely caused by certain government failures in the past, and its correction is needed. Chongqing's policy experiment is well intended, and if carried out well, may well serve to deepen the shallow urbanization to some degree. However, the problems inherent in the policy may hinder it from being fully effective and sustainable. In the end the paper make suggestions on improvements of the policies.

II. Shallow Urbanization: Theoretical Perspectives

1. The Optimal Size of Cities and Shallow Urbanization

From the perspective of welfare economics, there might be an optimal size of a city given its local conditions. Urbanization surely has certain agglomeration effects which are essential for economic growth, but it also has certain disadvantages of pollution and congestion. A marginal migrant thus imposes a dual effect on the city: his/her entrance into the city would add to the agglomeration effects, which is the marginal benefit, but on the other hand bring extra pollution and congestion, which is the marginal cost. An optimal size of the city is then reached when the marginal benefit equals the marginal cost, under which condition no parties involved can obtain higher welfare through further expansion or contraction of the city.

The notion of over- or under- urbanization is then possible. It has been argued that certain cities are over-urbanized, or that their population has exceeded its capacity (Chen, Orum and Paulsen, 2012). A city's capacity is essentially its ability to accommodate its population for their production and consumptions: a city resident should have a wage-paying job, a decent residence, and live a life with sufficient consumptions. Examples of over-urbanization often include mega-cities of Asia and Latin America, such as Bombay, Jakarta, Rio de Janeiro and Mexico City, where slums occur as the necessary outcome of the overflow of population and the subsequence unemployment. Since the housing conditions and social provisions at slums are often sub-standard, only the very poor would live there. Due to this concentration of poverty, the slums often become clusters of organized crimes and potential source of health hazards.

Over-urbanization happens because migrants' private marginal costs and benefits do not agree with the social marginal costs and benefits. After all, agglomeration effects and pollution or congestion are externalities that are not internalized in one's utility. The private marginal benefit is likely to be smaller than that of the society, as the benefits of agglomeration effects is often

materialized on a broader group instead entirely on the migrant himself. On the other hand, the private marginal cost is likely to be smaller than the social cost as well, since pollution and congestion are also perils to be suffered by the entire society instead of the migrant alone. In those cases in which the gap between private and social costs is greater than the gap between the private and social benefits, or in when the negative externalities is greater than the positive externalities, the size of cities would become larger than optimal, and dead-weight loss thus occurs. On the other hand, if the positive externalities exceed negative externalities, the city size would be smaller than optimal, which is under-urbanization. Not too sure about this.

The above situation is a typical market failure, which warrants certain government interventions to redirect the market towards the socially optimal solution. However, government interventions may go too far as well: they may be overkills. In a world of imperfect information, it is hard for the government to ascertain the optimal size of a city, nor could it be sure of the effects of its particular measure of intervention. To think otherwise, as the Soviet Unions and former Communist countries have done, would be of "fatal conceit" as Hayek (1991) called it. When the government perceives over-urbanization, it surely would try to reduce or control city sizes, but the result may turn out to be under-urbanization. An extreme case may be de-urbanization or zero urban growth policy of Cambodia in early 1970s when two million residents were killed or expelled by the government from the capital city of Phnom Penn (Chen, Orum, and Paulsen, 2012). On the other hand, when the government thinks the cities are too small, they may over expand their cities, as in the case of the Great Leap Forward of China.

Though the optimal size of a city is hard to be ascertained, as the social marginal benefits and costs are hard to be measured due to the many intangible factors involved, it may be estimated based on historical trends. Chenery (1975) assumes that since the capacity of a city is determined largely by its economic strength, this economic strength is then predictive for the optimal city size.

Using national level data of 90 countries between 1950 to 1970, he finds that for certain group of countries with similar GNP per capita, a measure of the economic strength, there is a standard urbanization rate that is normal for the countries. Then for a country of a particular GNP per capita, a lower than standard urbanization rate may indicate the capacity of cities have not been fully utilized and more population should enter cities. The opposite is true when the urbanization rate of that country is higher than the standard one.

In the case of China, government intervention is surely in place towards the goal of preventing over-urbanization. The over-urbanization and its necessary consequence of slums, as the Chinese government believes, are extremely disgraceful and inefficient, and should be avoided at every effort. To achieve this goal, the government employs a Household Registration System, which excludes migrant workers from social provisions in cities, thus making it less attractive for the migrants to enter the cities. The official urbanization rate of 49.68% in 2010, though impressive in some sense, is far below the standard rate computed in Chenery (1975). In the year of 2010, nominal GNP per capita of China reached 4,270 USD, or 614 USD in 1964 price, the standard urbanization rate should be above 52.7%. If computed using purchasing power parity methods to avoid exchange rate bias, the GNP per capita of China would jump to 7,570 USD in 2010, which is more than 1,000 USD in 1964 price and should correspond to an urbanization rate over 63.4%. A more recent study by Zhao and Zhang (2008), using methods similar to Chenery's but 1999 statistics, further confirms this finding. China's per capita GDP of 4,428 USD in 2010 would worth 3,417 USD in 1999, and that would put China in a category with standard urbanization rate over 61%.

The above figures clearly indicate that certain government policies have led to an urbanization rate that may be lower than the optimal. A yet more serious problems is that many those who are included in the statistics as urban residents are not truly urban: they are migrant

workers coming to the cities and live there for a while but only with the intention to earn some money, and to return to the countryside when they are older than 40 or so: many of them do not settle down and become true urban citizens. This is the shallowness of China's urbanization that this paper addresses.

This shallow urbanization is truly a unique phenomenon for China, and a rather peculiar situation. Though rural-urban migration remains strong, the underlying seasonal and generational circular movements of migrant workers would necessarily lead to a long-run urbanization rate that is below optimal. In this sense, shallow urbanization is a special kind of under-urbanization, and it has all the perils of under-urbanization would bring to an economy. However, the idea of under-urbanization, though efficient in depicting the broader, aggregate picture, does not capture the more distinctive feature of the shallow urbanization, or the fact that migrants who contribute to the production in the cities are not full residents who enjoy the benefits of their production. The analysis above assumes an instrumental government that is devoted to maximizing social welfare, and the fact that the government may be an agent of groups of urban elites pursuing their own interest complicates the analysis. These two points are better addressed from a sociological perspective.

2. City as a Growth Machine

Sociologist Harvey Molotch (1976) proposes that "...the politics of cities in America were all about urban growth". He argues that a variety of urban forces, such as government, media, and developers, formed a "growth coalition" that drives and benefits from the continuous expansion of American cities. Though he defines growth as "an entire syndrome of associated events", including both population increase and economic development, a central goal the coalition tries to achieve through the growth is the appreciation of land, from which the land-owning elites in the

city as well as real estate developers can seize their rent. They want the city to be always expanding, like a never-stopping machine of different and related parts (Orum and Chen, 2003). Urban residents and tenants, who are already living in the city, have their interests sacrificed in this race to growth: urban renewal and gentrification are good examples of growth machines' effects.

Indeed, when reading the examples given by Molotch, one cannot help but think of the Chinese situation, which can serve as perfect supplement to their examples. Chinese cities are expanding with the combined efforts of the city governments and developers and other forces. Especially since the decentralization of power in 1990s (Friedman, 2006), the local government becomes enthusiastic initiator of the urban expansion, instead of passive facilitator as in the American context. In China, local governments have done all their American counterparts have done, using tax incentive to draw developers and helping them to drive incumbent residents away in the case of urban renewal, and they have done so in a more aggressive manner with large numbers of coercive relocation of residents and forceful demolition of houses.

Local governments have been enthusiastic in urban expansion mostly because they have a vested interest, more so than in the US case, in the appreciation of land. In China, local governments are the monopoly and monopsony of urban land, and they arbitrage to receive a rent. China's land laws establish that all rural land are collectively owned, and that urban land are owned by the state. If rural land is to be used for urban purpose, the title must first be transferred to the state, and the local government would then be authorized to sell the land's use rights through auctions to developers. The difference between the compensation to peasants and the auction price is usually huge, and the local government is allowed to keep all the rent without handing over to the central government. Therefore local governments have every incentive to maintain the growth momentum, so they can continue this lucrative and risk-free business. For the

same reason, they also have incentive to keep the land prices high, so that they receive the largest profit.

To maintain the growth momentum, local government of China tries to attract population and firms. De-industrialization in the US suggests that the growth machine would rely more heavily on residential projects and perhaps office complexes. The situation is different in China: the growth machines also find great opportunities in promoting industrial parks. And for the industrial parks to prosper, large numbers of migrant workers are needed. Without migrant workers who receive low wages, the factories would not be willing to come to a certain city, and the industrial project would fail, and future projects would be less likely. To prevent this from happening, the local government makes sure the labor-cost advantage prevails, and in many cases would give tacit permission for wage discriminations against migrant workers as long as the labor cost is maintained sufficiently low to encourage the future growth of the city.

However, the growth machines often still find their most profitable business in residential real estate. In China the housing price of large cities are sky-rocketing every month. Just as the high housing price resulted from gentrification is driving American city-dwellers away, the housing cost of Chinese cities prevents many migrant from settling down. The shallow urbanization thus has much to do with this growth machine mentality of the local governments. While the migrants are in the cities, they can only reside in slum-like conditions, whereas their residence is further subject to various kinds of urban renewal and redevelopment that would raise the land value. But assuming the governments is controlled by self-interested elite groups, it is not really in the local government's interest to care about the situation of the migrants. The migrants cannot afford the already expensive urban houses, nor can they affect the political prospect of the government officials. It is beneficial for the local government to use migrant as cheap laborers but exclude them for social provisions, and keep them as second-rank citizens. The migrants, for these reasons,

decide to not settle down in the city in the long-run, and thus the phenomenon of shallow urbanization occurs and continues.

3 . Migration Theories

The theories above may explain the role of government in shallow urbanization, but since migration is essentially a decision of the migrants, the analytical focus should also be placed on the migrants themselves. The earliest migration theories feature the analysis of push and pull of the origin and potential destination. Lee (1966) summarized this theory: migration is a rational choice of a migrant based on certain positive factors of the destination that pull him, and certain negative factors of the origin that push them away from home. Bogue (1969) made it clear that the positive factors of the destination are the pulling forces while the negative factors of the origin is the pushing forces, and the composite force of the two is responsible for the decision of migration.

Lee (1969) modified the pull and push model to allow for positive factors of the origin villages and negative factors of the destination cities. A migrant thus makes this decision upon comparison of the relative pulling factors and pushing factors of the origin and destination point. To make it more illustrative, one may imagine the migrant to be subject to four forces, the pulling and pushing forces of the two points of origin and destination, respectively, and his movement is determined by the resultant force which is the composite of the four forces. If in the end the resultant force points towards the city, the migration would take place, and if the resultant force points towards the villages, the opposite would be true.

For shallow urbanization to happen, the model has to incorporate the distinction between long-term and short-term migration. Migrants make two kinds of decisions: they first decide if they want to enter the city to work, and they secondly decide if they are to settle down in the city permanently. When considering a short-term migration, or entering the city to work for a while

but eventually come back to the villages, the migrant may consider less of the negatives of the city and less of the positives of the country, and thus is drawn toward the city. For example, they may care less about the discrimination they face in cities, as they will only be there for a while. At the same time, their social capital accumulated in the villages does not depreciate when they eventually return to the country. They also do not have to worry too much about the expensive housing and high price level as they can live in factory dorms, eat at factory cafeterias, and save all the money and then home.

On the other hand, when making long-term decisions, the migrants have to consider all the factors involved, and they may thus be drawn back to the villages. They will have to move with their family into the city, which would require a decent housing unit that potentially accommodate a family lifestyle of a couple and a child. This kind of housing will necessarily be more expensive than the factory dorms. They will also have to lose their country home and rural social connections, and they will have to build new social network in the city.

This gap between long-run and short-run decisions is the central reason for shallow urbanization, which is exactly the fact that migrants come to cities for the short-run but come back to the villages for the long-run. Certain factors could be identified to have contributed to the gap, such as the urban push of discrimination, urban identity issues, and the rural pull of social capital and intimacy of hometown. Figure 1 illustrates the pull and push model of the rural-urban migration, with sampled factors listed and the long-term-only factors in red.

The empirical findings by Ren (2006, 2010) confirm with the above discussion. He finds that the longer the migrants stay in cities, the more likely they will stay permanently. When migrants stay in the city, their rural social capital erodes as time goes and as more fellow villagers leave, thereby reducing the long-run rural pulling force. On the other hand, the migrants may build up social network with his fellow workers in the city, or with some new friends among urban citizens,

thereby enhancing the long-run urban pulling force. As a result, the migrant is drawn, in the long-run, toward a permanent residence in the city.

A yet more simplified and stylized extension of the pull-push theory is the comparative cost-benefit analysis (Sjaastad, 1962). A person or family will migrate if the expected present value of benefits exceeds the costs. In the case of rural-urban migration, the benefits include increases in earnings as well as non-monetary returns such as a more pleasant environment. Costs consist not only of direct expenditure for transportation and moving, but also opportunity costs of the rural income, social costs of keeping up with friends and relatives left behind, and loss of fixed assets such as land and houses (DaVanzo, 1976). It is easy to see that the urban pull and rural push are often certain kinds of benefits, while the urban push and rural pull are often associated with certain costs.

In the cost-benefit framework, the shallow urbanization is again explained by a distinction between long-run and short-run decision. Since the short-run cost may include less items than the long run costs, for example the loss of social capital and fixed assets may be long-run only costs, it is likely that a migrant may decide to live work in the city but not settle down in the city and move in between seasonally and generationally.

Government policies of China tend to reinforce the circular movements of migrant workers (Chan, 2010). The household registration practically allow migrants to enter the cities, and thus allowing the migrants to receive the urban benefits, but in the same time the policy eliminates part of the benefit of better social provisions, and increases some emotional costs of experiencing discriminations. The land policies further restrict the migrants from selling their land, thus maintaining the tie of the migrants to their native villages, which is a long-run rural pull, or a cost of migration.

Another extension to the above models to better explain the shallow urbanization is to

consider decision making at a household level. A family may decide to take the strategy that maximizes the utility of the whole family, or minimizes risk of the family (Massey, 1990). Modern agriculture does not require many laborers. For a family with limited land endowment, many of its family members may be sent to the cities to earn a higher industrial wage and send it home, while the members left in the village may be able to farm the land and care for the elderly and children, who cannot obtain an urban wage, at a lower cost than in the cities. In this case, the family may obtain a higher utility than moving altogether into the city, or stay altogether in the village. On the other hand, urban jobs are subject to unemployment, while agricultural income may be affected by natural disasters: both works come with certain risks. However, since the two kinds of risk seem to correlate at best weakly, it would be a great portfolio strategy to have some family members as urban wage-laborer and some as agricultural worker, so as the risk is reduced (Stark and Bloom, 1985).

In this sense, shallow urbanization may be a result of migrant's household strategy to maximize utility and/or to minimize risk. However, it is still important to realize that such maximization or minimization are the best solution for the individuals only given certain external circumstances. In other words, if industrial wage is sufficiently high, unemployment rate sufficiently low, housing costs relatively affordable, and discriminations completely ruled out, it may instead be better for the whole family to move altogether into the city. On the other hand, it is also worth mentioning that the total social welfare may still be sub-optimal even when the private utility and risk reached their optimal combination. The positive analysis in this section does not necessarily interfere with the normative analysis in the first section of this chapter. Governments are still justified to make particular adjustments on the urbanization scale towards the social optimum.

In summary, we can now understand shallow urbanization through the above three theoretical

perspectives. It is clear that shallow urbanization is a decision of the rational migrants or their families to maximize their utility or minimize risk, but such decision is seriously influenced by a growth-minded, profit-seeking government through relevant urban policies, and the result of the shallow urbanization is likely to be kind of under-urbanization in the long-run, which is not optimal for the economy.

III. Shallow Urbanization: Empirical Perspectives

1. Shallow Urbanization: A Literature Review

In recent years, scholars have traced the shallow urbanization from many perspectives with slight variance of terminology. Cai (2001) is perhaps one of the first to observe this phenomenon. He notices that the migration and settlement had been two consistently separate phase in the urbanization of China: migrant workers who leave their rural homes usually cannot instantly settle down in the cities but remain floating between urban and rural areas for a long time. In his latest paper on this subject (Cai, 2010), he argues that the urbanization of China should be "deepened", and that this deepening of urbanization, or the settlement of the migrant workers into cities, would contribute greatly to the change of consumption pattern of the migrant workers and thus facilitate the economic growth.

Cai (2010) also suggests that one reason of the shallow urbanization might be the emphasis of local government on the urbanization of land rather than that of people. This contrast is presented most clearly in Wen (2010a), where he compares the old Puxi and the new Pudong, two districts of Shanghai, from historical perspective. With a robust service sector and diversified housing options, which enables migrants to find jobs and settle down, the old Puxi of Shanghai is an example of urbanization of people, while the new Pudong, a government designed new district of the city, featuring all the shiny high rises and intensive capital investment, provides few opportunities for the new migrants to work and to stay, and thus is an example of the urbanization of land/capital.

Wang (2006) calls the phenomenon "semi-urbanization." He finds that rural migrants are often restricted to informal or inferior works and are not integrated into the urban culture, institutions and societies. From a sociologist's perspective, he is most concerned about the formation of a new identity, or in his own words he notices a "semi-urban involution": forced by the external

economic, institutional and social pressures, rural migrant workers are forming a separate identity of semi-urbanism instead of trying to become urban citizens. His later empirical surveys (Wang, 2009) and study on the new generation of migrant workers (Wang, 2010) confirm with his finding.

Looking from an economics perspective, Tang (2009) observes the same phenomenon but considers it a rational choice of these peasants based on cost-benefit analysis. Given the limited job opportunities and lack of social mobility, migrant workers may have low expectation for their future income, and when faced with the high living costs of urban life, they are not willing to stay in cities. Fan (2011) finds that China's urbanization had been much lower than its industrialization rate, a rare phenomenon in the history of the developed world. He considers this lower urbanization rate as a consequence of the shallow urbanization which, he argues, results in large number of laborers wastefully idling in villages while urban factories encounter labor shortage.

To summarize, the phenomenon that migrant workers cannot settle down in cities has been observed by various scholars. The mismatch between industrialization rate and urbanization rate, and that between urban land-area expansion and urbanization have been raised as statistical evidence. The direct reasons of the phenomenon, including the lack of economic opportunity, the social and spatial segregation, and the missing urban identity, have been collectively identified. Scholars attribute this phenomenon to either governmental or market failure, and generally agree that the deepening of the shallow urbanization can be beneficial to the society and the economy.

2. Shallow urbanization: macro-perspective

a) Estimates of shallow urbanization

This paper defines the shallow urbanization as the phenomenon of migrant workers not being able to settle down in cities, which is manifested in the seasonal and generational cycles of

migrants between cities and villages. It is possible to give an estimate of the floating migrants. Many scholars have argued that the official statistics of urbanization rate is overestimated (Hua, 2009; Wen, 2010b). The National Statistic Bureau in its yearbooks compute urbanization rate as the ratio of urban residents over the total population, whereas the urban residents are defined as anyone who has lived consecutively in urban areas for six months or more. Scholars who disagree on this definition argue that urbanization rate is not about how many workers have come and worked for six or more months, but rather how many people have settled down in cities. Six months' residence, as many would think, is hardly a conclusive evidence that the persons in question have settled down. Instead, according to one study by Ren (2006), only about 10% of those who work in Shanghai for six-months would eventually stay in the city. The rest would either go and try their luck in some other cities while they are young, or return to their rural homes.

It is alternatively advocated to use the ratio of the people who have been formally registered as urban households over the total population as an indicator for urbanization rate. The difference between the two approaches is significant. Chart 1 shows that registration-based urbanization rates are about 10% lower than the residency-based rates in the last decade, and the difference has been widening, which becomes about 12% in 2010. This indicates that about 12% of the total population of China, or about 160 million, was floating between rural and urban. This 160 million people are the shallowly urbanized population that this paper is mostly concerned with.

b) Manifestations: seasonal and generational cycles

From a macro-perspective, the most prominent features of the shallow urbanization are the seasonal and generational cycles of the migrants. The seasonal cycle means that migrant workers usually go back home during Chinese New Year, which often cause temporary shortage of laborers in urban factories every spring. (Zhou, 2011) On the other hand, the generational cycle

means migrants go to cities when young and return to villages around 40 or so, and are then replaced by their children's generation of 16-20 years-old. (Tang, 2009) This would cause a loss of laborer aged 40-60 who could have remained in labor force had they upgraded their skills properly during their earlier years, found more affordable housing, and worked in physically less demanding positions.

The first phenomenon of seasonal labor shortage, obvious as it is, have been observed and admitted by most Chinese scholars that are concerned with the urban issues (Fan, 2011; Cai, 2010). The second phenomenon of generational cycle, and the resulting low labor supply equilibrium, has caused disputes among Chinese scholars. Some argue that it has been a result of the migrants' freewill, or that those older migrants by their own will prefer to return to the villages (He, 2010). This view, however, has been challenged by many scholars citing surveys from migrant workers. Most these surveys claim that the migrant workers are very willing to stay in the cities if there are no external restrictions. These scholars are again divided regarding the nature of the external restrictions: one side of these scholars attributed it to weaker market demand for older migrants (Zhang, 2007; Tang 2009); and the other side attributed it to market distortions by certain government policies or institutional arrangements that made it impossible for migrants to stay (Wen, 2008; Cai, 2010). It is then best for us to turn to the migrant workers' perspective, so as to investigate whether the government policies have indeed influenced the choices of migrant workers regarding their decisions to stay or not.

3. Shallow urbanization: migrants' perspective

The phenomenon of shallow urbanization is essentially a result of the migrant's choices under given constraints. It is, after all, the migrant workers who make the decision to leave or stay based on their likelihood to live a decent life in the cities. Since the abolishment of the law of custody

and repatriation in 2003, local governments no longer have the power to forcibly deport migrant workers in most cases, and they have since then rarely done so except for political reasons. Governmental policies and market forces contribute to this phenomenon of shallow urbanization mainly by adding the long-term costs and reducing the long-term benefits for settling down.

It is not only unfair but also untrue to conclude that migrants are solely responsible for their decision simply because they are the ones who are eventually making decisions. Should the government policies be absent, the migrants may very well be making the opposite decision. Therefore, one should examine the urban experience of the migrant workers, so as to investigate the reason why they eventually decide to not settle down and examine the roles government policies have played in their decision. This paper finds that the migrants are leaving the cities because they are exploited of economic opportunities, excluded from social services, segregated from urban space, and declined of urban identity, each of which has something to do with respective government policies and existing institutions.

a) Economic Opportunity

Migrants are attracted to cities mostly due to the significantly higher income. In 2010, the average income of urban residents was about 3033 USD, while that of the rural population was merely 939 USD, less than one-third of the urban figure. However, the migrants entering cities are often faced with three restrictions: that they cannot get many positions due to household registration-based discrimination, that for the position that they land on they receive less pay than their urban counterparts, and that they are often not wanted after becoming mid-aged.

The household registration system made it possible and convenient for employers to hire only urban residents for certain positions. Very often the hiring advertisements contain explicit requirement that the candidate must be a registered urban resident. This firm policy is to some degree understandable, as it is often believed that the urban residents possess better human capital

and are better qualified for the job. The rural residents on average have obtained less formal education than the urban citizens, and their education is often of lower quality, therefore they are thought to be less desirable for positions requiring advanced skills or knowledge. In addition, the rural residents are often profiled as being vulgar and less civilized than urban citizens, and are thus considered incapable for many positions involving social interactions. However, even if the two reasons above are valid, they cannot justify the requirement of urban registration status: they could instead require certain level of education or an interview to test the candidates' people skills. The requirement of urban registration can be better explained by explicit discrimination against the rural migrants. The result of this practice is clear. Many migrant workers end up in informal sectors (Cai, 2005), and are restrained to industries of manual nature, and positions demanding hard labors, as table 2 shows (Wang, 2009; Tang, 2009).

Wage for migrant workers have always been lower than that of urban residents. As table 3 shows, controlling attained formal education, migrant workers earn much less than their urban counterparts. The gap was not closing from 2001 to 2005. On top of the wage discrimination, firms often refuse to pay social insurance contribution for the migrant workers, which they are obliged to pay by law (Yang, 2003; Guo, 2006). Migrant workers, due to their lack of legal and financial knowledge, sometimes fail to recognize the importance of the social insurance and thus suffer from a loss of social benefits. The income gap, if taking social benefits into consideration, is thus larger than the nominal wage figures shows.

Lastly, migrants cannot find job after 40 and often have to return to villages. It is true that this has been a result of the employers' preference for younger employee. However, in normal circumstances, the human capital attained by the migrant should be enough to offset the disadvantage of age. Wen (2008) raised the example of sewing workshops near New York City. Surprisingly, even for this industry that requires heavy manual labor, many of the employed

workers are women in their mid-ages, around 40 or older. That an older migrant becomes unemployable indicates there had been problem with the human capital accumulation, which might be a result of the previous two factors: migrants are restrained at manual labor positions so they cannot attain much human capital through "learning by doing", and their relatively low wage makes it hard for them to afford formal trainings. As a result, the unskilled mid-aged laborers are driven home.

b) Social exclusion: education

As differentiated by the household registration, those registered as rural are not entitled to many social services and benefits that are available to urban citizens. They cannot join pension programs in the city, and often do not have insurance for urban health care. Urban social security and unemployment benefits are not available to them as well. However, among all the exclusions, the declined access to public education is what migrants often are most unhappy about (State Council, 2011). In May 1985, the central government unveiled an education reform plan with a new Compulsory Education Law, which went into effect on July 1, 1986 (Wang, 2003). This law mandated free compulsory nine-year education for each child in the country. Under this requirement, a child at age 6 should start to receive six years of elementary education, followed by three years of junior middle school (Wang, 2003). Since the central government ceded responsibility for basic education to local governments, education becomes a locally provided public service and the income gap between rural and urban areas in China gradually creates a significant difference in the quality of education provided between rural and urban schools.

As the law regulates, all children should receive free education until the completion of junior high school. However, when the children migrate with their parents, they encounter great difficulties in continuing their education. Since each locality is solely responsible for financing the education for those whose parents are registered as formal residents of the area, and the rural

migrants are not registered as residents of the city where they work, children of the migrants are declined access to the free public education, and are charged with a sponsorship fee if they want to enroll in the public schools. The amount of sponsorship fee can vary significantly according to the reputation of the school, and can easily be over 10,000 Yuan per year, which is surely beyond the means of an average migrant family.

In response, many migrant workers face the choice of sending their children home to their native villages or to schools for migrant kids. The latter kind of schools are privately-run and poorly regulated institutes established to squeeze profits from migrants. Students do not need to have urban registration or present any certificate of local residency to be enrolled in migrant schools, but they have to pay tuition, which is set moderately so that the migrant families can afford. The education offered in rural villages is usually of extremely terrible quality, but the migrant schools are not much better (Han, 2004). Founders of those schools are always entrepreneurs instead of education professionals, their lack of teaching experience and focus on private profits result in inferior quality of teaching and inability to prepare students for college education (Han, 2004). Infrastructure, equipment and hygiene standards at those schools are also extremely poor and therefore they can barely reach the standard educational requirement set by the State Council of the country.

In this case, the migrants are clearly excluded from the education provision of the cities where they work. As a consequence, they either have to pay extra for public schools, if their kids are lucky enough to be accepted, or private migrant schools, or they have to send their children home. And for most migrant workers, only the latter two options are viable, and as a result their children would receive less education than their urban counterparts. And if the children are sent back, their tie to the villages are reinforced and the tie between the village and the migrants also strengthened, making shallow urbanization all the more possible.

c) Spatial segregation: housing

This exclusion of migrant workers from social services also led to spatial segregation of the migrants. Urban housing prices are extremely high in major cities of China. In Beijing, the housing price in 2010 was, under a very modest estimate by the city's Statistic Bureau in its yearbook, about 14,000 Yuan per square meter, while the average wage was 4900 Yuan per month. It would take an average worker almost 10 years' wage to buy a modest residence of 40 square meter, assuming the worker does not spend any money elsewhere- a scenario is far from realistic. Indeed, for many urban citizens, to buy a new house is nearly impossible, and most of them either live in the houses that were given to their parents during the pre-reform era, or live in subsidized public housings.

As mentioned above, migrants are not registered as citizen of their resident cities, hence they usually do not possess the housing heritage from the previous era, nor are they eligible for these subsidized public housings. As a result, given the limited economic opportunity, migrants often have to live at the margins of the city in self-constructed shacks, low rent apartments, or dormitory provided by employers. All three types of housing feature terrible conditions. Shack-homes are often constructed by cardboard papers or plastic boards, sometimes with wood frames from deserted furniture. Seen as signs of poverty and thus disgrace for a city, these homes are periodically removed by governments. Rented apartments, where appliance are lacking and water and electricity are sometimes missing, are often shared by groups of workers to reduce costs. One bedroom may sleep 10 workers in some cases. Dormitories are worse than shared apartments, as the limited space is often filled with as many people as possible. For all the three kinds of housing, showers and toilets are nearly always nonexistent, which creates further difficulties. On Wang's (2006) visit to one of these settlements, she observes polluted water running on the ground, garbage dispersed and uncollected everywhere and flies hovering around people, and she

bluntly called it a “concentration camp.”

Migrants are not only spatially segregated, but also segregated from urban lives. They hardly ever enjoy the many amenities offered in urban areas. In a survey, more than 75% of the migrant workers have never been to bars, coffeehouses, movie theaters, fitness centers, libraries or museums (Wang, 2009). This is no surprise since it is usually hard to find any bars, coffeehouses, or movie theaters in the area where the migrants congregate, and even if there is, migrants are hardly able to afford such luxury. On the other hand, though the libraries and museums are free, as they are often located in the center of city, the migrants do not have the time to travel a very long distance to visit them. In another survey, more than 50% of the migrants consider sleeping a major entertainment. They make few urban friends and keep their social activities within their semi-urbanized group (Wang, 2009). All these segregations and exclusions are pushing forces from the city that drive migrants away, and shallow urbanization thus occurs as a response from the migrants.

d) Urban Identity

As a result of the economic discrimination and social exclusion, few migrant workers would consider themselves truly urban. A survey by the State Council (2011) found that migrant workers have relatively high willingness to become urban residents, but they do not think they can ever become one. This is confirmed by many interviews with migrant workers, especially the older generation, saying that they have no such "fancy dreams" of becoming urban residents which is quite "beyond them" (Xu and Qian, 2009). Wang (2006) based on the finding, concluded that there is a new rising identity of half-urbanism, which is reinforced by the segregated social circles. He found that migrant workers tend to make friends with only migrant workers, who, as they believe, can understand their situations better. They do not like the rural people who have no urban experience, labeling the villagers as "less civilized", but could not make friends with the

urban citizens, who in turn would label the migrants as "less civilized." It is quite ironic that this typical Oreo situation, common for immigrants in foreign countries, should happen to domestic migrants.

Besides the push from the urban communities, the migrants are often subject to a rural pull as well. When they come to the cities, they often keep their land, as they are not allowed to sell them. The land is either leased to others for a nominal rent, or simply left deserted, if not cultivated by some family members left behind (State Council, 2011). Indeed, the migrant workers often have families left behind. As we have observed earlier, the housing options of the migrants, such as the crowded dormitories and apartments, are often unsuitable for family life, and women and children are thus left at villages. Even when the housing problem can be solved, as in the case of migrants who earn enough money to afford better apartments, they sometimes have to send their children home as public education is not open to them. As the migrants have their land and family in mind, their hearts and thoughts are not entirely focused on urban life. Despite the fact that they work in the cities, they think they would eventually go back to live on the farm with their family.

The identity problem is rather different, yet more compelling in some sense, for the new generation of migrant workers, who are more willing to become urban but find it nearly impossible. Many of this new generation have not done much agricultural work at home, and are raised with the hope to become city-folks. (State Council, 2011) However when they eventually come to the city, they are confronted with all the discriminations and social segregation: the gap between expectation and reality is particularly cruel. Meng (2011) describes the problem in great detail. The new generation of migrants is socially excluded just as the older generation, but they have the hope of becoming urban, and thus get easily depressed when such hope is proven beyond their reach. One example of this might be the serial suicide case happened in the Foxconn factory complex at Shenzhen. The reality has taught the migrant youth that urban dreams are harder than

they thought to pursue.

It is quite reasonable that without urban identity, migrant workers may be less willing to settle down in the cities. Statistical evidence has been presented by Ren (2010), which confirms that those migrant workers who make friends with urban citizens- a signal of acceptance into the urban community and evidence of gained urban identity- are more likely to settle down. This indicates that an enhanced urban identity may help migrants to settle down, and agrees with our findings from the other direction.

IV. Chongqing and its Policy Experiments

1. Introduction

Up Yangtze River in the western China, Chongqing is a booming industrial city with perhaps the most rapid growth in the world today. Since 1997 when Chongqing became a municipality directly under central government, the city experienced exponential growth at an average two-digit GDP growth rate. In 2010, the city reached an GDP of 789 billion with a growth of 17.1% from the previous year. With 28.84 million people living in the 82,000 km^2 area, the city is often called the largest city in China for both population and acreage.

However, this popular notion of Chongqing being the largest city may be not completely accurate. Besides the central city of Chongqing, the municipality actually contains several mid-sized cities and many smaller towns within its administrative boundary. The central city residents only amounts to about 8 million, or about 1/4 of the total population and 1/2 of the total urban population: there is a large country-side. Though the urbanization rate by 6-month residency was about 53% in 2010, the urbanization rate by household registration was only 29%. The city-region is a miniature of China: rural villagers migrate into the cities to work, but cannot settle down but have to come back to the villages at certain points. They are shallowly urbanized.

In 2007, Chongqing was named the National Economic Experimental Zone for Urban-Rural integration with its central goal to re-route urbanization in a direction to close the gap between urban and rural, and part of the goal involves deepening the shallow urbanization: migrant workers should be able to enjoy the urban benefits and settle down. The city devised a whole set of inter-related policies to increase the speed as well as the quality of urbanization, including a household registration reform, a public housing plan and a land coupon policy. This chapter will offer an introduction to the procedures and agenda of the individual programs and evaluate their effects on shallow urbanization.

2. Household Registration Reform

a) Policy Agenda

The central component of Chongqing's policy scheme is the household registration reform. The household registration, or hukou, has long been identified a major barrier for labor mobility and source of inequality (Yan, 2011). A recent World Bank report actually cited household registration reform to be a top priority in the coming decades and needs to be completed by 2030, so as China can have a healthy and efficient labor market. The registration is essentially a small red passport containing information about members of a household: sex, occupation, address, and whether they are rural or urban citizen. The last item is the most important, because urban social benefits, including health care, public education, and pensions are only available to urban residents. If one is unfortunately born into a rural family, his status may usually be changed to urban only if he marries into an urban family, or that he attains college education, or that he finds a qualifying job: all of the three are rather difficult. It has often been joked that to obtain a urban registration in Beijing is significantly harder than to obtain a permanent residency in the US.

Though the central government has proposed several times in the past for a household registration reform, and in fact just announced a policy agenda in 2011 to make a change, Chongqing is one of the a few cities where the changes are really going on, and perhaps the city where greatest changes are happening. The city proposed that in 2010 and 2011, 3 million eligible migrant workers who have been working in the cities would have their registration status changed to urban. To be eligible one must have worked 5 years in the central city of Chongqing or 3 years in a township within the municipal boundary, and one can become citizen only in the place that he has been working at. From 2012 to 2020, another 7 million rural peasants should be come urban. In this second period the eligibility may be broadened up and many those with an intent to come

into the cities may do so.

The most innovative part of the policy is that to become a urban citizen, the peasant or migrant worker does not have to give up their farmland (Yin, 2012). For many other cities, the central government's initiative for reform has been re-interpreted as a way to deprive peasants of their farmland, which is sorely seized for the need of urban expansion. Chongqing, however, agreed that those who come to the city does not have to, though it is encouraged and fairly compensated, to surrender their farmland and other rural income sources such as orchards or ponds for a three-year period, after which they can decide if they really like to remain urban or if they would like to come back to the villages. The peasants seem to like this policy and have participated with great passion (Wu, 2011). As Chart 2 shows In the three months since the policy become effective in September 2010, more than 1 million migrant workers changed their status (Deng 2010).

b) Effects on Shallow Urbanization

It comes to our attention that the policy is aiming to reform a system that is responsible for all the three direct causes of shallow urbanization. Those who are receiving a change of status are those who are now shallowly urbanized, and the change of status would allow them to get previously exclusive social provision, including education, health care, retirement pension, and unemployment benefits. Children of the new urban residents are welcomed to attend public schools for no premium, and another 35 primary schools, 40 middle schools, and 40 high schools and vocational training schools are to be built to accommodate the increased students. Migrants with urban status participate in the health and retirement insurance plan on the same, or subsidized if they qualify, terms as urban residents. 22 hospitals and clinics were planned to be constructed by the end of 2011. Migrants are further assured that they are automatically enrolled for unemployment benefits as long as they work in the formal sector.

Furthermore, the reform helps to also eliminate registration-based discriminations. As the registration shows the same status, employers would no longer be able to screen employees for their urban/rural origin, and this can supposedly help the migrant workers to enter doors that were previously closed for them, and to obtain more equitable wage compared to their urban colleagues. Also the government proposes to provide free or subsidized vocational training for the migrants so as to enhance their human capital and productivity on their urban works. It is expected the economic opportunities can be very well improved by this reform.

As the household registration reform can potentially help with the economic opportunity and social services, it is clearly equally capable to shift the migrant's identity. The migrants were forming a semi-urban identity precisely because they knew they could not become urban, partly due to the economic and social barriers, and partly due to the institutional rejection the household registration represents. When the barriers are removed and their status changed to urban, their idea of who they really are may change accordingly.

3. Public Housing

a) Policy Specifics

The housing price in major Chinese cities has become a great concern of urban residents, and also a major barrier that disabled migrant workers from settling down. In Chongqing, the average housing price is above 6000 Yuan/m², and the average wage is only about 1720 Yuan/month. Assuming a migrant receives the same wage, he has to spend ten years' salary, without any other expenditure, to buy a home of 30 m², which is modest by most standards. This is clearly infeasible for the migrant workers, and they in reality concentrate in slums at the margins of cities.

The central government has urged all major cities to build public housing projects to balance the rising housing price, and Chongqing has made the greatest progress. In 2010, the city

proposed to build 40 million m² public housing, called public rentals in Chongqing, by 2015 for 2 million people, and by the end of 2011, 8 million m² have been constructed or was being constructed. Essentially any person who works in the city but does not own a home is eligible to the public housing, and the rent is sufficiently low at around 10 Yuan/month,m² , about half of the market rate. Eligible people must apply for the public housing as slots are limited, and they receive their houses through a lottery. In the past three rounds of lotteries, more than 100,000 people have been granted with the rentals.

b) Effects on Shallow Urbanization

The public housing, again, directly deals with the causes of shallow urbanization by improving the public services the migrants receive. When thinking of public housing, one tends to think of those poorly maintained complex in the US. But one may be surprised when visiting a public housing project in Chongqing that the environment and amenities are actually very decent. Playgrounds and kindergartens are built within the projects, primary schools and middle schools can be found close-by, community clinics are planned, and trees and lawns are taken good care of. Compared to those on-site dormitories where even running water and electricity are not guaranteed, the public housing is indeed a great improvement for the migrant workers' living conditions.

The lower priced public rentals are then a good alternative not only to improve the housing condition of the migrant workers but also allow them to live with their family in the cities: they do not have to move back and forth anymore. Migrant workers are forced out of the city as they cannot afford decent housing for their family and children, who are then often left behind in villages, and this is partly why the migrant workers have to travel between urban and rural and cannot settle down. The rent of 400 Yuan per month is affordable even if the migrant worker is on the minimum wage of 870 Yuan per month. Or in the case of a couple with children, the rent of

800 Yuan per month for a two-bedroom apartment can be afforded as long as both the couple remain working.

Additionally, one great feature of the public housing project of Chongqing is that it facilitates urban integration and the construction of urban identity. The public rentals are not only open to migrant workers, but all those who have a job but not a home, including recent college graduates and urban laborers. It is quite possible that after several years the neighborhood would become a community bonding together. If not the first generation migrants, their children will surely become urbanized as they attend schools and kindergartens with all the urban kids. Should there not be this public rental project, these migrant's children will have to stay in the villages and go on the same route as their parents' generation.

4. Land Coupon

a) Mechanism of the Land Coupon

Mostly due to concerns of food security, central government of China has established stringent control for farmland to be taken for urban expansion. Local governments are assigned a quota each year to take over no more than a certain amount of rural farmland for urban development. The amount is often inadequate for cities with rapid growth, such as in the case of Chongqing. The city, permitted by the central government to experiment with rural-urban policies, came up with the idea to get around with the quota. They devised this land coupon scheme which first increases farmland by converting rural construction land to arable land and then converts the increment arable land to urban construction land. As a result, the farmland acreage remains constant, but the land for rural construction is converted for urban use.

A flow chart (Figure 2) can better illustrate the mechanism. First, villages and individual peasants may collectively or individually apply to reclaim their rural construction land into

qualified arable land. After verification that the new arable land is indeed arable, land coupons are issued to the applicants. Land coupon exchange would periodically hold auctions for land coupons, and the coupon goes to the highest bidder. It is regulated that the majority of the revenue collected from developer bidding for land coupons, at least 85% as the latest regulation (Li, 2011), are returned to peasants who can now use the money as initial capital to join the urban market, and the amount paid by developers can be deducted from the land transfer fees that it needs to pay to government when they actually purchase the land for their projects.

b) Effects on Shallow Urbanization

The land coupon policy can help deepen the shallow urbanization from two sides: both the peasants and the government. For the peasants, it creates both a pull and push for them to settle down in the cities. Essentially, land coupons help peasants to liquidate their land, and the money they receive can serve various purpose to help them settling down, and the land relinquished no longer ties them to the villages.

Two types of peasants are affected in the process: one is the peasants who produce the land coupon, and the other is the ones whose land is eventually taken for development. The latter's cost and benefits does not change should there be no land coupon system, but the former is now enabled to turn their land into capital. In reality the former are usually peasants live far from the cities, whose land is thus less valuable as urban expansion cannot reach them while the agriculture income is considerably low (Zhou, 2010). The peasants are willing to sell their land but the demand is often weak and the price often low. Now the land coupon in fact enabled a free liquidation of land, a better flow of factor of production, that would otherwise be blocked by spatial barriers.

Table 4 shows the land coupon auctions held from 2008 till 2010. Given the average rural construction land per capital is about 200 square meters in Chongqing, each peasant on average

gain more than 40,000 Yuan under the latest price. This money can help the peasants to start small business, to attend vocational training, or to invest in their children's education. They will be able to gain human capital and thus better economic opportunities in the cities.

The money, on the other hand, can be used to purchase health insurance and retirement accounts, which helps to provide the migrants with the benefits that were previously exclusive to urban residents. In the case of Chongqing, where public housing option is available, the money can also be used for the rents of public rental apartments. The 40,000 Yuan is good enough for the migrants to live for about 10 years, as the rent is about 400 Yuan per month for an apartment of 40 square meter. In this case the spatial segregation, assuming the public housing complex are well located, is solved and the migrants may get better access to the social services and urban amenities to which they were previously denied.

On top of that, as the migrant workers are now cut off from their villages, they are pushed away from their old community and environments and taken away of their rural identity. In the past they had another rural home to come back to, but now the home is converted to farmland and they can only embrace their new urban identity. It is expected that as they gain more economic opportunities and share those urban amenities, the newly urbanized migrants would be able to bond with the urban residents just like the western experience indicates (Barth, 1982). As time goes, the newly urbanized migrants should be able to learn the urban way of life and become true urban citizen.

From the government perspective, the extra gain from land coupon enabled land transfers would provide them with sufficient fund to finance social benefits and services for the new migrants. Given Chongqing's average land transfer fee of about 2 million per acre in 2009, the government could gain an extra income as large as 36.4 billion Yuan for the auctions till April, 2010. This gain would be sufficient to support the cost of deep-urbanizing 3.45 million rural

peasants with full social benefits and services as the government calculated (Gu, 2011).

V. Problems of Chongqing Experiment

Without doubt, the policy of Chongqing is well intended, and, should everything worked out as planned, it can provide tremendous help to deepen the shallow urbanization. Many scholars, among which Huang (2011), Cui (2011), and Su and Yang (2010) has been the most prominent, proclaimed the policy scheme to be the right approach towards equity and justice, and a timely rectification of the overly emphasis on growth and efficiency during the last three decades.

However, there has been debates on whether the plans have worked out well or could work out. Critiques of the policy generally come from three fronts: some find that in the operation many of the designed policies are not well enforced and migrants/peasants received much less than promised (Yi, 2011; Liu, 2011), some worry that the policy of Chongqing has carried out by a strong local government lead by an authoritative leader but this authoritarian approach may bring problems in the long-run (Xiao, 2011), and some others express concerns regarding the financial sustainability of the projects given the large amount of expenses (Szelenyi, 2011). This section will review and analyze the three arguments along with responses from the pro-Chongqing scholars respectively.

1. Practical Problems of Enforcement

Problems have been found in the process of enforcing all the three major policies of Chongqing's experiment. As for the household registration reform, though the city government insists that it is not a conditional offer pending on the surrendering of farmland, it has been argued that practically if the peasant/migrant would like to buy insurance, start business, or invest in education, he nevertheless has to sell his land or convert his houses into land coupon so as to have the starting capital (He, 2010). Furthermore, several newspaper have reported cases where peasants/migrants who are unwilling to move into the cities are coerced to change their status

(Shang, 2010). One particular example involving local colleges forcing students of rural origin to be registered urban, otherwise the graduation certificate will not be granted. A survey actually shows that 90% of Chongqing's rural peasants would rather hold their land instead of going into the cities. This is consistent with the national survey result indicating that 73.9% of the migrant workers are unwilling to settle down in the cities (State Council, 2011). It would then become a question of how many of those who have changed status did so with their free will.

For the public housing, some have argued that the houses are indeed located quite far away from the central city. From Minxin Jiayuan, a public rental complex, to downtown Chongqing at Jiefangbei, it takes more than one hour and three transfers to take public transportations. Addition to that the move-in dates of the public rentals have been delayed a few times due to the construction slower than expected - the government claims that the delay is to ensure housing quality. But the quality has been also questioned: some residents reported cracking walls, leaking ceilings and unbearable noise from the airport nearby.

As of the land coupon, Liu (2011) systematically analyzed five types of problem in nearly every step of the policy application, from the initial conversion, verification, to the auction. It was found that the newly converted arable land is often of inferior quality for agricultural purposes, that inspection and verification is often politicized, and that private sector are not very interested in the auction. The most significant problem relevant to our discussion is whether peasants can really gain so much when they participate in the scheme. And the answer is sadly uncertain.

One report (Zhou, 2011) told a story of the peasants of Kongmu Village. Though the village generated land coupon to be auctioned at December 2010 and sold at about 85,000 Yuan per acre, villagers said they hardly ever heard the phrase land coupon. What they knew was that their houses were taken and they were compensated some 12,000 Yuan per acre, much less than the regulated amount. They did not do it voluntarily, but somewhat forced by the local officials. These

are some practical problems that are hard to be denied. To achieve full potential of the policy, these problems must be addressed promptly and avoided in the future.

2. Authoritarian Government

Chongqing has been able to carry out the reform for two reasons: one is that it is named a national experimental zone for policy innovation, and thus can design its own policy, but perhaps more importantly, the other one is that the city had a powerful and strong-minded leader who was not afraid of being the first to do many things. Bo Xilai was the party secretary of Chongqing from 2007 till 2012. He aspired to climb up into the core of China's politics circle and was considered one of the more promising candidates. Bo came to Chongqing and quickly established his authority through a movement to eliminate organized crime in the city. The movement was successful and popular and Bo obtained the authority to rule in the city.

Bo might have used his connections in Beijing to make Chongqing named a experimental zone for urban-rural integration. On this matter, Bo is helped by the mayor Huang Qifan, who most likely devised the policies to deepen shallow urbanization. The policies are well designed, as we have discussed, to improve the quality of urbanization and to close the gap between urban and rural. However, without the leadership's determination, the policy may not be effectively carried out. Local bureaucratic certainly dislike the extra efforts that has to be put into the new policies. Further, as we have noticed, many of the policies put Chongqing at a position as the only city in China doing the job, and to be the first and only one is often dangerous and we need a strong-minded leader to be at the frontier.

Xiao (2011) voiced his concerns regarding this authoritarian approach. He worried that the rationality of one single leader cannot be relied upon, and that government power may be abused where the intervention goes too far and become counter-productive. His concerns sound valid.

China has seen how a leader can lose his mind and bring the country into chaos in the last 20 years of Chairman Mao's life, and China has also seen the inefficient results produced by the planned economy. The real question here is whether there is some check and balance for Bo's authority, and whether the policy has become too much of intervention.

The first question has been answered by current events. Bo was removed from his position following a scandal of Wang Lijun, who was his right hand man in the campaign against organized crime, fleeing into an American consulate in Chengdu. It has been said that Bo was involved in some cover-up for his wife, who allegedly murdered a British businessman. The check and balance, this time, came from above rather than below. The second question is still under debate. It could be argued that for the sake of equity and the deep urbanization of the migrant workers, some efficiency loss is permissible. However, some may argue that if the city goes too quickly, bringing all the peasants into the city, then any shock in the economy may cause severe results (He, 2010).

The removal of Bo brings up another question regarding the authoritarian approach: as the leader is now gone, will the policy continue? Just shortly after his removal, many newspapers that were singing for the Chongqing experiments changed their tones all of a sudden, and began to question the financial sustainability and economic efficiencies of the projects. The new leader may have his own agenda and preferences that are quite different from Bo. If he is less enthusiastic about the rural-urban integration, the inherent inertia of the bureaucracy may bring the delicate scheme to an end: it is not in the interest for the bureaucracy to pursue the projects if not for the leaders' favor: the growth machine only cares about the value of land, not necessarily the conditions of migrants. If the new leader is less competent or cares less about corruption, the many chances for rent-seeking might bring the programs to some outcome directly opposite to its intention.

3. Financial Sustainability

The most heated debate, however, is to be found over the financial sustainability of Chongqing's project. It is only natural to ask why, since the shallow urbanization is so obvious in virtually every Chinese megacity, only Chongqing propose to carry out all the experimental projects to rectify the situation? The answer is partly political, or that the cities fear to be the first one experimenting before the central government confirms that the experiments are politically right and encourage them to follow suit. But the other part of the reason, equally important at least, is the financial reason. Nearly all other cities would claim that they would not have the fund to support the whole plan of public housing and social provision- otherwise they would have started the projects long ago.

It is undeniable that the projects of Chongqing cost a large sum of money. One estimate from the state council (2011), as in table 5, finds that to urbanize one person with full social provision would cost the city of Chongqing 80,408 Yuan. Included in the cost are education expenditures, government sponsorship for social insurances, other social benefits, social governance and public housing. The education expense is estimated to be 8,871.9 Yuan, which includes new hires of teachers, improved school facilities, and government subsidy for textbooks and etc. The social insurance consist of medical insurance and retirement pension, and amounts to 37,000 Yuan assuming the migrants and employer would pay their portion of the insurance. Other social benefits include that of unemployment, subsistence allowance, and various miscellaneous subsidies such as that for birth control, immunization and so on, and amounts to a total of 4,311 Yuan. The social governance expense is computed as the annual government expenditure, excluding the previously included items and national defense, divided by population. It includes the costs of expanded government task forces, such as the police service and fire service, and but

also the expenditure on transportation and cultural affairs, and the result returns to be 21,591 Yuan. Finally the public housing expenditure is merely the construction costs of low-rent housing, where the government expects to spend 3000/m². Assuming only 10% of the migrants need low-rent housing, and each of them would require 30 m² of housing, the total cost turns out to be 8,570 Yuan.

The reason to go through all the details of the computation is to show how unrealistic the assumptions really are. It is highly likely that more than 10% of migrants would need low-rent public housing, as they mostly work in positions with wages that are low enough to qualify them for the kind of subsidized housing. It is also likely that migrants may work in some industries or informal sectors where the employer is unwilling to pay for their social insurances, and if the government does not step in they will simply be deprived of the rights to health care and pensions as they are often too poor to pay the employer's portion. The estimated cost, therefore, may be drastically lower than the real cost that will occur. On the other hand, the computation of costs of other social services is methodologically problematic: even if police forces and fire services must expand as population grow, at what proportion are they growing with the population? This problem may be better answered with econometrics models, but not simply with division.

Though this estimate may not be completely accurate, it is nevertheless the only detailed one that can be found for Chongqing in specific. A general consensus is that to fully urbanize one migrant, it would cost about 100,000 Yuan for a city on the east coast, or the more developed part of China (Zhang, 2008). The city of Chongqing announced its own figure saying that the cost would be around 67,000 Yuan, but did not share its methodology. For the purpose of this paper, we would take the state council's estimate of 80,408 Yuan knowing that it is probably an underestimation.

Chongqing plans to, by 2020, deepen the shallow urbanization of those migrants who are

already in Chongqing, but also accelerate the urbanization of those who have yet come to cities. The total number of additional urban residents is expected to be around 10 million, and the total cost would be around 800 billion- a quite gigantic figure even given Chongqing's annual government revenue of 179 billion in 2010. This extra burden of 800 billion apparently would impose serious burden on the shoulder of the government, and how is it going to pay?

Chongqing's answer is that the government is not going to pay-it-all, but the burden shall be shared also by the migrants and their employer. According to their calculation, more than 60% of the cost should be handled by the employers, more than 20% by the migrant himself, and the final 10-20% by the government. They claim that the employer should be able to attain certain agglomeration benefits from the larger work force, and should be willing and able to pay the extra money. They further argue that if the migrant chooses to sell his land to the government through land coupon, he will receive a substantial amount of money, around 40,000 in the best scenario, and that should be enough to cover the 16,000 Yuan costs (20% of the 80,048 Yuan total cost) of insurance, education and etc.

This analysis is problematic in two ways. One is that Chongqing has been praised for allowing the migrants to keep their land, but if they have to sell their land for social insurances and services, how is it difference from other cities which simply take peasants' land and grant them free insurance and services - all Chongqing's fancy claims would become hypocritical nonsense. On the other hand, the employers may be able to contribute for their employees' benefits, but not necessarily willingly. The effective labor cost would rise and the city risks driving the investors away: they can simply turn to the neighboring city where such requirement is not in place.

For now if we temporarily agree Chongqing's plan makes sense, then the question comes to how the government is going to finance the extra 160 billion Yuan, which is still a large figure. Huang (2011) and Cui (2011) answered this for the city government: they expect the government

to close the gap using revenue from land value appreciation. Land finance, or *tudi caizheng*, is not a new thing. In China land is divided into urban or rural for their location, and the rural land are further divided into construction land for building residence and public facilities such as clinics and schools, and the farmland which is restricted to agricultural purpose. The rural land is owned by the community or the village, and to convert any piece of land for urban uses, the title must be transferred to the government, and the local government would sell the use right of the land to developers: no developers can directly buy land from peasants. Local governments can obtain substantial rent from its monopoly as well as monopsony of land: it is common and easy for them to buy land from the peasants at relatively low rate, and sell at much higher price during auctions, and the difference would be one of the major source for government operations. This income in Chongqing, for the single year of, is about 98 billion, which should be good to cover part of the cost.

Selling land, as many would argue, is by itself a unsustainable way of finance. What Huang (2011) finds to be innovative about Chongqing is its invention of a "third hand", or its usage of state-owned enterprises for public interest purposes. In Chongqing, projects such as public housing are carried out by one or several of the state-owned investment companies. These companies, as instructed by the government at certain points, reserved over 200 km² of land while the land price was low in early 2000s. Now the land value has grown dramatically and the companies use the land as collaterals for loans, and carry out government projects with the loan they obtain and the land they reserved. The cost thus is controlled while the finance secured. As the land value keeps shooting up, the investment companies would be able to secure loans in the future without worry of repayment.

Szelenyi (2011), in response to Huang, raises a very valid concern regarding Huang's basic assumptions of land value appreciation. He argues that there is perhaps already a real estate

bubble and that if the bubble burst, as every bubble is likely to burst, China will find itself in a situation similar to that of America at the beginning of the most recent financial crisis. Huang (2011b) responded that the housing price of Chongqing is merely around 7,000 Yuan/m², far from the formation of a bubble. But it cannot be denied that this risk that Szelenyi pointed out does exist.

In short, the finance of the projects is a problem that can be resolved contingent upon several conditions of the migrants and employers cooperation and the continued land value appreciation. These conditions are not necessarily always met, and there is risk for the projects to meet financial difficulty in the future.

VI. Conclusions

This paper has provided a detailed study of shallow urbanization, or the fact that migrant workers do not settle down in the cities where they work, and analyzed Chongqing's policy experiment aiming to rectify the problem. It starts with an examination of the phenomenon of the shallow urbanization from the theoretical perspectives of under-urbanization, city as growth machine, and migration theories. It finds that although shallow urbanization is directly a result of migrants' rational choice, such choice are made under certain ill-designed government policy constraints and lead to city sizes that are sub-optimal for the economy.

The paper looks at the shallow urbanization from macro-perspective regarding the seasonal and generational movements of migrant workers between cities and countryside, and then turned to the migrants' perspective and discussed the direct causes of their decision to engage in such cycles. It is found that the migrants are short of economic opportunities, excluded from social benefits and services, segregated in the peripheral areas of the cities, and as a result do not identify themselves as urban. For these reasons, urban life is not worth pursuing for many migrants, and they thus make the decision to only work in the city and earn the money but return to their native villages in the latter part of their life.

The paper then studies Chongqing's policies to rectify shallow urbanization. Household registration reforms reduce discriminations and provide economic opportunities to the migrants, while at the same time improve social provision the migrants receive, and help migrants to build urban identity. The public housings projects eliminate social segregation and improve the quality of life for migrants, but also facilitate their integration into the city-community and thus their urban identity. Finally, the land coupon helps the migrants with some start-up capital for their city life, cut off their ties to their native villages and thus facilitate a new urban identity, but also help the governments to finance the policy scheme.

Though the policies are well intended and designed, and should be effective in eliminating shallow urbanization if carried out well, the paper does find several problems with the policy scheme. The policy may be distorted during enforcement and various level of government may try to seek rent from this opportunity: peasants may be forced to give up their land and become urban, public housing may be of not so good quality as promised, and compensation for land coupon may be delayed or embezzled. Furthermore, Chongqing's policy relies heavily on an authoritarian local government and a particular strong leader, the removal of this leader now then raises question regarding the future of the policy. Lastly, the experiment will surely cost a large sum of money, though it can be partly financed by central government's transfer payment, the long-run sustainability is questioned.

It is then logical to suggest some amendments to the policy experiment so that the above problems may be fixed. This paper proposes that a more democratic system with sufficient involvement and supervision from the people may be a good way to avoid the practical issues of rent seeking of government officials and the problems with authoritarian government. If people are given the sufficient power to monitor the officials and if their opinions would mean something to the official's career prospect, the rent-seeking can be largely eliminated. On the other hand, if the people are mobilized and involved enough, we do not have to worry about the loss of a strong leader- the people will push the government to move forward with the policy. It should be noted that under current political system of China, an institutional reform may not be viable, but at least some grass-root movements, with the help of local NGOs, should be perhaps allowed and people will then be better involved and empowered.

Furthermore, the public housing and land coupon are efforts aiming towards the land markets, but are not the best solutions. It may be better to just abandon the restrictive land policies, and let the market decide on land supply. This may be accomplished through complete privatization of

rural land, where peasants should become the sole owner of their land and should possess the right to sell and lease their land to any person at their will. The resultant housing price is likely to be much lower. And since migrants may receive fair compensation for their rural land, they may use the money towards housing. One practical problem is that since the equalized social provision may increase the burden of local governments in social provision, and that the reform in land policy would reduce the government's income from selling land, it may be true that the local governments may no longer be able to afford social service at the current level - as in Chongqing's case the burden is already too heavy. This effect may be mitigated by the fact that the accelerated and deepened urbanization may bring a better economy and thus higher tax revenues. This is possible if land is privatized and property tax can be installed. This source of revenue is not only much less confrontational than the current policy on land taking and selling, but also more sustainable in the long run, especially when urbanization is over and there is no need to develop land on a large scale - urban government would not be justified to act in growth machines.

It should be noted that since the policy experiment has not been in place for very long, the observation made in the paper are only based on a small sample, and follow-up studies are necessary to establish the ultimate results of the policies. Also since the data is adapted from the yearbooks of Chinese cities, some original inaccuracy may exist, and the results of the study may be affected by such inaccuracies. Future studies can also improve upon the policy suggestions. Given practical difficulties of politics, the reforms that this study proposes is better carried out in staged plans, and such plan must be carefully calculated. Also since the radical reforms are likely to face political hurdles, more creative solutions to the issues are also welcomed, as long as they work towards deepening and bettering urbanization.

Table 1: Economic Development and Urbanization			
Chenery, 1975		Zhao and Zhang, 2008	
GNP Per Capita, USD, 1964 price	Standard Urbanization Rate by Population, %	GDP Per capita, USD, 1999 Price	Standard Urbanization Rate by Population, %
<\$100	12.8	\$100	21.7
\$100	22	\$200	29.7
\$200	36.2	\$300	34.4
\$300	43.9	\$400	37.7
\$400	49	\$500	40.3
\$500	52.7	\$800	45.8
\$800	60.1	\$1,000	48.3
\$1,000	63.4	\$2,000	56.3
>\$1000	68.5	\$3,000	61
		\$4,000	64.3
		\$5,000	66.9
		\$8,000	72.4
		>\$8000	84.9

Source: Chenery, 1975. Zhao and Zhang, 2008.

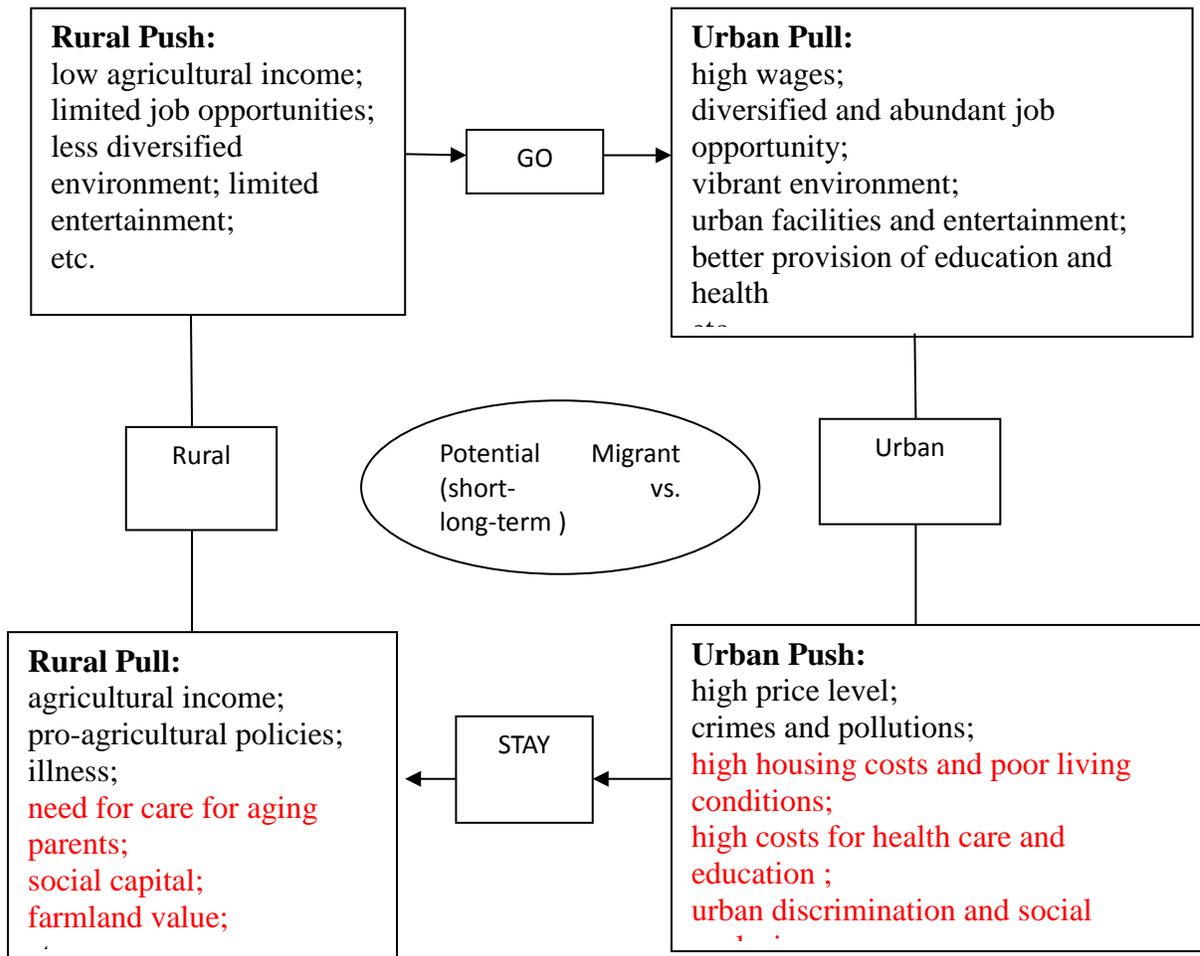
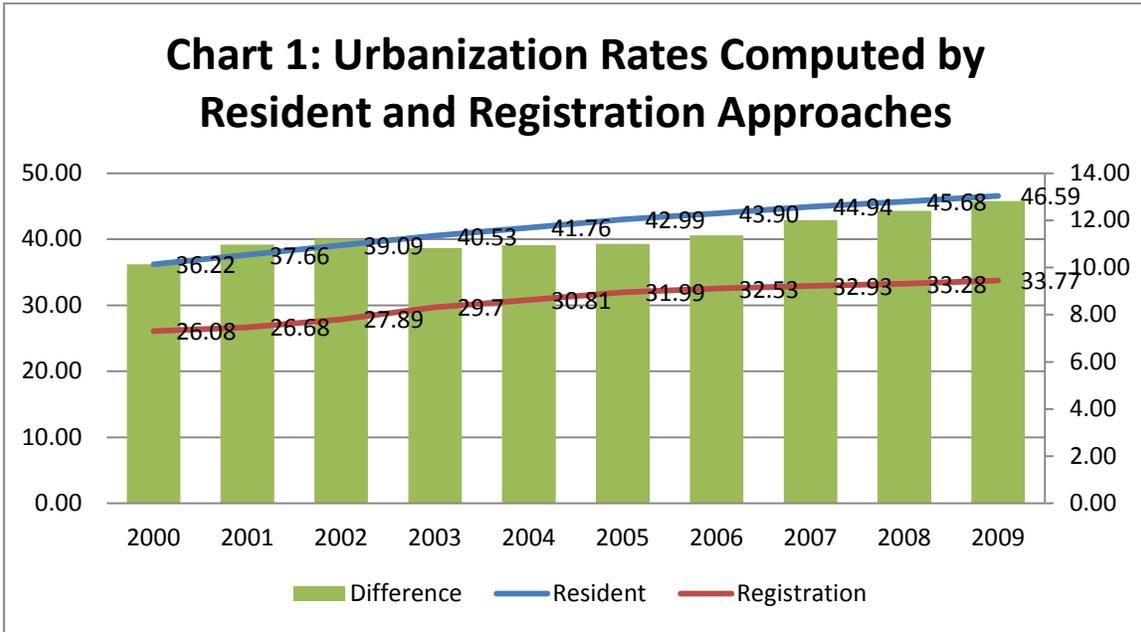


Figure 1: Pull-Push Model of Migration

Source: Lee (1969).



Source: Chinese Statistics Yearbooks 2000-2009

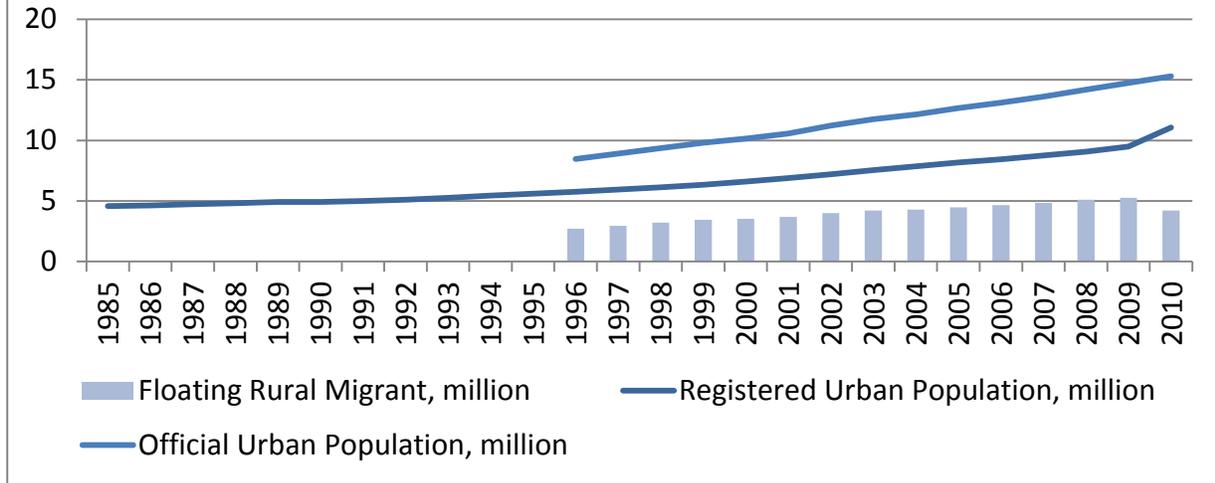
Table 2: Migrants' Positions within Firms				
Age	Labor	Skilled Labor	Group Leader	Management
16-25	76.30%	15.50%	5.20%	3%
26-30	64.40%	20%	9.10%	6.50%
31-40	67.20%	17.10%	9.50%	6.20%
41-50	69.90%	16.60%	8.20%	5.30%
Above 50	81.90%	10.60%	2.20%	5.30%
Average	70.70%	17%	7.40%	4.90%

Source: State Council, 2011.

Table 3: Hourly Wage of Migrants and Urban Residents at Given Education Level, Yuan				
	2001		2005	
	Migrants	Urban	Migrants	Urban
Under 9 Years	2.68	4.18	3.25	4.62
9-12 Years	3.56	4.99	5.05	5.97
Over 12 Years	7.04	7.96	8.76	9.97
Average	2.91	5.66	3.78	6.67

Source: State Council (2011).

Chart 2: Participation of the Household Registration Reform, Chongqing



Source: Statistic Yearbook of Chongqing, 1996-2010.

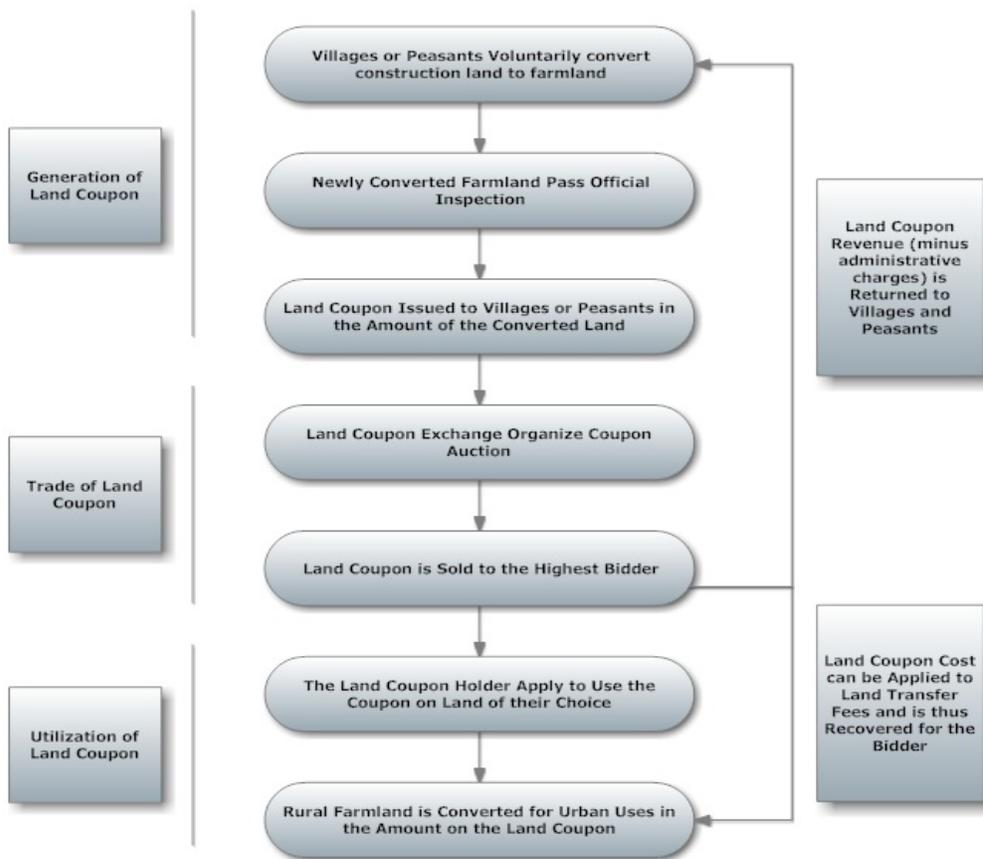


Figure 2: Flow Chart of Land Coupon Experiment

Table 4: Land Coupon Auctions, 2008-2010											
Date of Auction	Dec. 2008	Mar. 2009	May. 2009	Jun. 2009	Aug. 2009	Oct. 2009	Dec. 2009	Dec. 2009	Feb. 2010	Mar. 2010	Apr. 2010
Average Price (1000 Yuan/acre)	8.28	8.04	8.15	9.35	9.36	9.55	9.7	13.6	11.27	13.54	14.0
Acreage Auctioned	1100	1300	1100	1100	1200	2500	4000	1200	2000	1200	1500

Note: 1 Chinese Acre = 667 square meters.

Source: Adapted from Yang (2011)

Table 5: Cost of Urbanization in Chongqing, Yuan		
Education	Primary School	3021
	Middle School	3077
	New Schools	2773
Health Care		1248
Social Security		35816
Other Social Benefits		4311
Social Governance		21591
Housing		8570
Total		80408

Source: State Council (2011).

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