## China-s urban growth model under strain

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内容：Bert Hofman, Chief Economist for the East Asia and Pacific Region at the World Bank. - Around100millionChinese live in extreme poverty, and roughly 275 million spend less than US$2 a day. The overwhelming majority of China-s poor live in rural areas, and, for most, hope for a better life lies in the cities, where betterpaying jobs are easier to find. Indeed, over the past three and a half decades, a staggering halfbillion Chinese have already made the move, raising the urban share of the country-s population from less than 20 per cent in 1980 to onehalf today. By 2030, 70 per cent of all Chinese are expected to live in cities. China-s urbanization has undoubtedly supported the country-s impressive growth and rapid economic transformation. Its cities have provided cheap land and abundant labor, while local governments have been eager to attract investment and create jobs. But strains are starting to show. China-s growth model, driven by investment and exports, is running out of steam. Urban sprawl and congestion are spreading, fueling unrest among farmers who feel undercompensated for the loss of their land - a vital source of collateral for localgovernment debt (which now amounts to 30 per cent of GDP). Moreover, the widening urbanrural divide has increased the country-s income and wealth disparities. Stark inequalities also exist within cities, mainly between those with a hukou (a record in China-s official householdregistration system) and migrants without one. Although migrant wages have now caught up, inequality in public services (access to which requires an urban hukou) ensures that this divide persists, risking migrant children-s lifetime prospects and welfare, and deterring future migration. Environmentalpressuresarealso worsening. Althoughsomemeasures of urban pollution are improving, urbanisation exposes many more people to bad air, increasing the total human and economic cost. The authorities are aware of these issues and have announced plans for a new, -peopleoriented- urbanisation model that would be more efficient, inclusive, and environmentally sustainable. A joint report by the World Bank and the Development Research Center of China-s State Council recently outlined how to make this plan a reality. Its successful implementation would undoubtedly improve conditions for the poor during China-s next phase of urbanisation. First, and foremost, the plan would reform land policies. Under China-s constitution, urban land is owned by the state, and rural land by collectives. Though land reforms over the last three decades have recognized property rights for individuals and enterprises, rural land rights remain weak relative to legal conditions in urban areas. By strengthening farmers- property rights, and restricting local governments- power to expropriate land for urban growth, cities would become more compact and efficient, especially in terms of energy use. Reform would also help to consolidate farmland, facilitating better agricultural techniques. Land reform would also help to spread wealth, because stronger property rights boost rural land prices. According to one estimate, the total compensation that farmers received for their land over the last 20 years was ￥2 trillion ($322 billion) below market value, equivalent to 4 per cent of China-s 2013 GDP. If invested at rates in line with China-s GDP growth, that unpaid compensation would now be worth some ￥5 trillion, or almost 10 per cent of GDP. Second, reform of the hukou system could increase labor productivity, reduce income inequality, and accelerate urbanisation. Despite the high level of ruralurban migration so far, it is still below what could be expected, given China-s size and income level. Preventing the onethird of city dwellers who lack an urban hukou from accessing public services ultimately means that too many people who would have left rural areas remain tied to the land. This discourages people from seeking higher incomes in the cities, while keeping rural labor productivity and wages low. While any rapidly expanding city experiences publicservice bottlenecks, these can be overcome. JapanandSouthKorea, forexample, extended public services in their fastgrowing urban areas without restricting mobility. As the World BankDRC report points out, China can do the same by linking public services to place of residency rather than to place of origin. Moreover, when migrant children are able to join their parents in the cities and get a good education, the next generation will have a better chance to escape poverty, too. Making migration easier would not only open up opportunities in the cities; it would also accelerate agricultural transformation, as the fewer remaining agricultural workers would need to acquire new skills to raise productivity and wages. However, in order to implement land and hukou reforms, China-s fiscal system must be overhauled. Stronger land rights for farmers will deprive city authorities of the land conversion revenues needed to provide public services to new urban migrants. And more migration will mean more demand for those services. Cities will therefore have to find new revenue sources. A property tax or a local surcharge on personal income taxes would target those who most benefit from urban living. Environmental charges and levies - such as higher registration fees for motor vehicles, pollution charges, and improved cost recovery on utilities - might also help, while simultaneously addressing urban environmental problems. There are big potential savings to be gained, too. China-s cities are forecast to spend around $5.3 trillion on infrastructure over the next 15 years; but denser, more efficient cities would save around $1.4 trillion (15 per cent of 2013 GDP) of these costs. This money could then help to finance the additional health care, education, and lowincome housing required by new migrants. China-s citizens, especially its poor, would benefit from a shift in government policy from the physical expansion of cities and infrastructure to the delivery of better, more fairly distributed public services. Achieving this would truly represent the people oriented urbanisation that the authorities seek to achieve. -