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Urban villagers as real estate developers: embracing property mind through ‘planting’ housing in North-east China

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ABSTRACT
Urban village collectives, as one of the stakeholders of land requisition and development in urbanized China, have gradually been driven into real estate development. This transformation has raised an important question regarding how villagers develop their ‘property mind’. From 2015 to 2017, guided by an abductive institutional economics approach, which holds both original and new institutional economics in dialogue, we addressed this question by conducting fieldwork in Xiaojia village, Northeast China. In Northeast China, unlike in the southern cities, there was no foreign investment and the population was in decline. Nevertheless, the villagers developed housing, first for their own use and then for the market. The resulting evidence indicates the following: 1) property rights are social relations and constructed socially and institutionally; 2) markets are not independent, they are conditioned by the institutional context.

Section 1: Introduction
Increasing globalization, and ‘real estate investors in search of higher yields’, tend to make local real estate and housing markets dependent on markets in other places, but ‘there remain wide variations among legal environments, landownership forms and local customs’ (Beauregard & Haila, 2000; Haila, 2016, p. 178). In urban economics, a key question in this connection is how people develop their ‘property mind’ (Haila, 2016; 2017). Does it evolve naturally, or is it socially and institutionally constructed? This distinction is fundamental for housing policy. If it is assumed that the property mind develops naturally (De Soto, 2000), it should follow that the modernization theory canvassed in new institutional economics is incontestable. For China, that means property rights must evolve to become more Western. If they do not, such property rights must be imposed. On the other hand, if housing policy is based on the idea that property rights develop contextually (Haila, 2016), then the case of...
modernization theory proposed in new institutional economics is problematic and must, indeed, be problematized. Without this crucial distinction, global development agencies such as the Asian Development Bank would tend to support increasing Westernization of Chinese property rights.

The reason for addressing this research question is, therefore, clear enough. What requires further clarification is the idea of the ‘property mind’. According to Haila (2016), the property mind is a mentality regarding land as an asset to extract rent and to use land-based businesses to make profit. This concept of ‘property mind’ is quite similar to what J. R. Commons called ‘institutional mind’ (Commons, 1934/2009, p. 73), about which he wrote ‘if it be considered that, after all, it is the individual who is important, then the individual with whom we are dealing is the institutionalized mind’ (Commons, 1934/2009, p. 73). Individuals start as babies, and individuals learn the customs, such as cooperation with others, negotiations to avoid conflicts, and the subordination to the rules of concerning others. Individuals are approximately prepared by habit, accordingly, artificial transactions are created by the collective wills (Commons, 1934/2009, p. 73). Yet, the ‘institutionalized mind’ is general, and ‘property mind’ is more focused on the creation of the mind on land and housing, which requires thorough analysis. Additionally, previous studies on Chinese housing development have mainly focused on marketization and increased globalization of the Chinese economy (He & Lin, 2015). In this respect, existing studies are dualistic analyzes of state-market or state-society relations (He & Lin, 2015), not how new players formulate their property minds which, analysis, as noted earlier, is crucial for housing theorizing and policy-making. Chinese peasants, who used to rely on agricultural production, have given up farming and involved in real estate business. However, few research focus on how Chinese peasants have switched their roles. To fill this gap, this study analyzes how Chinese peasants create their property minds and develop the land in emerging urban form, urban villages in China.

Clarifying the concept of the ‘property mind’ in the context of urban villages in Northeast China is a useful first step. In China, economic growth has been fuelled by real estate development, and many who are now rich made their fortunes in the real estate business. In such an environment, it is not surprising to find urban villagers as developers and landlords (Li, 2002). On the other hand, not so long ago in Mao’s China, landlords were regarded as ‘class enemies’ (Chan et al., 1992). Sociologists and anthropologists have questioned farmers’ capability as rational decision-makers, while economists have seen farmers sharing the same potential with land speculators (Li, 2002, p. 6). Farmers, who develop housing as landlords, and lease rooms to migrants are still officially regarded as peasants, implying that they have a peasant, not a property mind. In the light of these depictions, to find villagers as developers calls for an explanation. This article tries to provide this explanation. Village collectives are the main actors of this article. Specifically, the urban village of Xiaojia in the centre of Chaoyang City, Liaoning province, is our case study. In the 1980s, the area of Xiaojia village was two square kilometres; however, by 2011 the area had shrunk to 0.13 square kilometres due to the requisition (Xiaojia Villagers’ Committee, 2012). Today, these villagers no longer depend on farming for their livelihood. They develop real estate. On the basis of a two-year intensive field study from 2015 to 2017, we
find that 1) property rights are social relations and constructed socially and institutionally; 2) markets are not independent, they are conditioned by the institutional context.

The rest of the article is structured into six sections. After this first section (one), the next, contextualizes the study theoretically. With our theoretical positionality clarified in section two, empirical contextualization is the focus in the third section, where we briefly review the nature of urban villages in China. In section four, we introduce readers to China’s uneven urban and regional development and the role of the northeast in this process, highlighting the socio-economic background of Xiaojia village and clarifying the data collection and analysis process. Subsequent to that, in section five, we investigate how villagers turned to property development. Section six probes how villagers reconcile the conceptions of land and land ownership socially and how this understanding contributes to the creation of ‘property mind’.

Section 2: Property rights: Debates between original institutional economics (OIE) and new institutional economics (NIE)

Property rights obtained little or no attention in neoclassical economic analysis of land and housing for years. Thus, in their classic paper, ‘the property right paradigm’, Alchian and Demsetz (1973) note that, while ‘[c]apitalism relies heavily on markets and private property rights to resolve conflicts over the use of scarce resources […], these fundamental characteristics of an idealized capitalistic system have been taken for granted by most mainstream economists’ (Alchian & Demsetz, 1973, p. 16). An issue in this claim is how to define property rights. According to the classic work of Sir Henry Maine (1917/2007) on Ancient Law, property rights are bundles of rights to landed property. Further, property rights scholars (e.g. Hann, 1998) clarified the rights include the right to use, to exclude, and to inherit or not. However, debate about property rights continues in institutional economics. Property rights are viewed as a vital component of the basic institutional structure of an economy in institutional economics (Alchian & Demsetz, 1973).

Though the new and original schools of institutionalism share the position that property rights play an important role in economy (Alchian & Demsetz, 1973; Bromley, 2019), these two schools of economists view the form and substance of property rights quite differently. Crucially, the downward or upward constituting impact of institutions on preferences (OIE) as opposed to fixed preferences (NIE) sets the two institutional schools apart. Other differences require discussion, too, because they are important for analysing Chinese urban villages.

To new institutional economists, ‘property is a bundle of rights’ which contains both economic rights and legal rights. Specifically, ‘one (economic rights) … is essentially the ability to enjoy a piece of property. The other (legal rights), much more prevalent and much older, is essentially, what the state assigns to a person. … Economic rights are the end (that is, what people ultimately seek), whereas legal rights are the means to achieve the end. Legal rights play a primarily supporting role …’ (Barzel, 1997, p. 3). Further, for the advocates of the ‘neo-institutional school’ (Haila, 2009, p. 572), the concept of property rights has no behavioral meaning
absent the concept of transaction costs. ‘If transaction costs are zero, then there is no behavioral distinction between legal and economic property rights’ (Allen, 2015, p. 712). However, in the real world, the transaction costs are not zero, as a result, the legal rights and the economic rights do not coincide. Based on maximization of utility rather than acknowledging specifically human motivations (Hodgson, 2015), in new institutional economists’ thoughts, property rights are primarily economic rights and the matter of transaction cost (Barzel, 1997). They claim (Barzel, 2002) individuals are rational and act solely to maximize their enjoyment of assets under control. Furthermore, they argue the value of an asset is determined by how secure one’s property is. Property rights must ensure a possessive individualist ontology, as Dan Bromley, a critic, explains it (Bromley, 2019). Legal rights or law is only an institutional means for individuals to enjoy economic rights, and they insist ‘people do not gain “enjoyment” from obeying the law per se’ (Hodgson, 2015, p. 696). Notably, property rights are viewed as a material relationship between people and assets, a coupling that stresses the centrality of property to exchange. Accordingly, to new institutionalist economists, ‘property right is about the probability of control or the ability to enjoy, would be strangely indifferent to whether property were publicly or privately owned, or owned by an individual, a cooperative or a corporation, as long as the denoted probabilities or abilities were unaltered’ (Hodgson, 2015, p. 693).

Original institutional economists also criticize the new institutionalist school often conflate the concept of property and possession (Hodgson, 2015) and downplay the importance of the law and the state. They (Hodgson, 2015) point out that the definitions of property rights by new institutional scholars (e.g. Demsetz, 1967; Alchian, 1979) are institution-free terms. This is because the new institutional school (economic property rights school) only focuses on the self-interested behaviors, utility maximization, and neglect property is a historically specific institution. New institutional economic approach lacks the dissection of the mechanisms of human’s motivations (Hodgson, 2015) as well as holistic analysis. In contrast, original institutional economists contend that property rights are not only about the relationship between human and things, ‘the institution of property also involves social relations, necessitates acknowledging others, and is backed by customs and legal sanctions’ (cited in Haila, 2016, p. 58. see also Hodgson, 2001, p. 250). The implication for political-economic analysis or original institutional economic approach is to recognize property relations as situated (Oi, 1992). Put more generally, property relations are social relations among people, and the institutions of property are embedded in social networks.

These debates on property rights center on the distinct but interrelated, concepts of markets and institutions. These concepts underpin most of the discussion of property rights, but these concepts defy simple characterizations because their meanings are tied to their ontological foundations in neoclassical, new institutional, and original institutional economics, all of which have been influenced by much earlier philosophical positions (Obeng-Odoom, 2018, 2020).

Neoclassical economists form their arguments based on methodological individualism, and they view the market as a space for voluntary exchange among autonomous, utility-maximizing individuals. The demand and desires of these individuals are
rationally determined. Institutional economists are rather different. They recognize the institutional foundations of the economy, highlight that individuals have social bonds, and challenge the view that all firms in the urban economy are profit-maximizing (Cahill & Paton, 2011; Obeng-Odoom, 2016; Ryan-Collins et al., 2017). Clearly, starting from different understanding of markets, which is one of the fundamental concept of economics, institutional economics offers an alternative to neoclassical urban economics. Focusing on the institutional foundations of the economy and on transactions within the economy, institutional economists recognize the importance of historical change, property rights, and transaction costs. Within institutional economics, however, there are also important differences. New institutional economists concentrate on the ‘transaction cost’ in ‘acquiring information, negotiating costs, monitoring cost and enforcing cost’ during economic development (Haila, 2016, p. 54). To original institutional economists, the economy is a process of becoming (Bromley, 2019), markets do not exist independently; rather, they are embedded in society, economy and environment (Polanyi, 1944, 1957; see also Christophers, 2016).

Holding both original and new institutional economics in dialogue, this article’s empirical approach is to narrate and analyze how an urban village collective in Xiaoqia village, Northeast China, developed their property mind.

**Section 3: Peasants’ land and urban villages**

Before the establishment of the People’s Republic of China, peasants had use rights (so-called surface rights, topsoil), they cultivated the land and paid rent to the landlord who owned the land (the owner of the so-called subsoil) (Fei, 1939). The users of the land had the power to decide what to cultivate. After collectivizing the land and establishing people’s communes in the 1950s, the commune not only came to decide the use and management of land resources, but cooperatives ‘were intended to eliminate private ownership by creating a collective consciousness among their members’ (Chan, 2003, p. 143). In 1984, the government converted the people’s communes into townships.

Since the end of the 1970s, China has gone through several reforms. The Household Responsibility System in 1978 allowed households to make contracts around production quotas, while the Notice Concerning Rural Work in 1984 specified the length of rural farming contracts to be fifteen years. The reforms returned to the peasants the power to decide on the harvest. Though this was good news, peasants also began losing their land, as local authorities requisitioned peasants’ land in urbanizing areas. Peasants who had lost their land became a social problem, and the media told stories of them being victims of urbanization, beneficiaries from the commodification of the land, heroic supporters of liberalism, and ‘rational utility maximisers with the inherent ability and ambition to realise the market value of their assets’ (Sargeson, 2012, p. 773).

However, these institutional reforms are different with the path of former Soviet Union and Eastern European countries, China did not follow the privatization of public properties in both rural and urban areas. Instead, China has applied an
economic system under the banner of ‘socialist marketization with Chinese characteristics’ since the early of 1990s. Under this economic system, public ownership ‘is defended in principle as part and parcel of “basic system of socialism” in China’ (Zhang, 2006, p. 16). Although public ownership remains the dominant role politically, the market gradually has been assigned the central role in resources allocation (Zhang, 2006, p. 17). Land, as an important means of production in socialist ideology, is experiencing the transformation as well. Meanwhile, the institutional reforms of land and housing (see Table 1) provided the legal space for marketization of land and real estates. Thus, real estate analysts concluded that the market of land and real estates emerged and claimed ‘market mechanisms are gradually replacing central planning controls’ (Dowall, 1993, p. 182). Scholars claim that the capitalist transformation of Chinese agriculture under public land ownership has achieved significant economic benefits (Gürel, 2019). In urban areas, the production of new spaces by requisitioning rural land becomes an important means of spatialized capital accumulation, which has great influence on China’s economic performance (He & Lin, 2015). Besides the national level, local governments conduct several experiments on deepening the marketization of land market, for instance, Chongqing has established land certificate market for trading the quota of purchasing land use rights in urban areas (Cui, 2011).

Within this rapidly increasing marketization of land and the needs of requisitioning rural land, pockets were left in the middle of urbanized areas, ‘urban villages’ that opened new opportunities for peasants. Urban villagers have the legal right to develop housing for their use (Zhang, 2005), whereas urban hukou holders and rural migrants do not have such rights. As urbanization proceeded, the urban villagers (who owned the land collectively) soon began developing houses on the land that had been saved from requisition. Table 1 lists the regulations that affected the real estate development business.

While, on the one hand, Table 1 presents the relaxation of state control and the opening of real estate business development opportunities for urban villagers, together with local governments and private developers; on the other hand, it reveals

Table 1. Laws and circulars since 1988 affecting urban development.

<table>
<thead>
<tr>
<th>Year</th>
<th>Law</th>
<th>Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>Land Administration Law</td>
<td>still allowed urban hukou holders-built housing on collectively owned land</td>
</tr>
<tr>
<td>1992</td>
<td>Notice concerning developing real estate</td>
<td>decreed that collectively owned land should be changed to state-owned land before being developed</td>
</tr>
<tr>
<td>1998</td>
<td>Land Administration Law amended</td>
<td>forbade transferring, selling or leasing the use rights of collectively owned rural land to developers</td>
</tr>
<tr>
<td>1999</td>
<td>Circular of the State Council on Strengthening the Administration of Land</td>
<td>prohibited urban hukou holders from building their houses on collectively owned land and prohibited villagers from selling their housing to urban hukou holders</td>
</tr>
<tr>
<td>2002</td>
<td>Law on the Contracting of Rural Land</td>
<td>clarified peasants’ property rights to include right to use, receive revenue, transfer contracts, decide production, and to get compensations</td>
</tr>
<tr>
<td>2004</td>
<td>Decision of the State Council on Deepening the Administration of Land</td>
<td>prohibited urban hukou holders from buying rural collectively owned residential land</td>
</tr>
<tr>
<td>2007</td>
<td>Property Law</td>
<td>ruled that farmers should retain their rights after 30 years and defined farmers’ rights as usufruct rights</td>
</tr>
</tbody>
</table>

Source: Authors’ Taxonomy.
the state’s introduction of specific regulatory measures. Local governments were allowed to lease the land use rights of urban land, whereas the sale, transfer or leasing of land use rights of collectively owned rural land was not allowed.

A large number of previous studies are concentrated on Small Property Right Housing (SPRH). These studies (e.g., Liu et al., 2012) reveal that, according to law, it is prohibited to build or develop commercial residential housing on rural land. Consequently, SPRH on rural collective land cannot be granted legal titles. The authorities regard SPRH as informal buildings. Existing studies (e.g., Wang et al., 2009) have also examined commercial buildings, for instance, office buildings, modern shopping facilities and department stores, which can attract large retail or financial businesses. The target customers or users of these buildings are residents who live not only in urban villages but also elsewhere in cities.

These studies indicate that, usually, at the beginning, urban village collectives partner with commercial developers, since the village collectives lacked capital and experience (Wang, 2016). After the leaders of urban villages gained the experience in the skills of management and negotiation needed in the urban economy upon the transformation of urban villages, some large urban villages began developing commercial real estates by themselves. In the opinion of Wang et al. (2009, p. 965) ‘this process improves the village’s economic base and leads to better integration with the surrounding areas.’ Land developments for commercial use started to replace industrial use as the main type of land development in urban villages. Compared to state-owned urban land, in urban villages there are fewer restrictions limiting the density and height of buildings, fewer regulations on renting rooms, and more lax enforcement of regulations (Zhang, 2005). These have led some scholars, such as Wu (2016), to call the real estate development in urban villages ‘informal’. As Table 1 illustrates, the Notice in 1992 required that collectively owned land should be changed into state-owned land before being developed. This Notice made housing developed on collectively owned rural land illegal. This also happened to the housing (Rose Garden) developed by the villagers studied in this article.

Previous research (Liu et al., 2010) viewed urban villages as the by-products of China’s rapid urbanization, and urban villages were formed by the combination of local residents and rural migrants in a definable period (Wang, 2016). This body of existing scholarship tends to focus on mega cities in the Pearl River Delta (PRD), for instance, Shenzhen and Guangzhou. Foreign direct investments, especially from Taiwan and Hong Kong, have flooded into the PRD since the mid-1980s. These foreign investments not only financed industrial based land development but also attracted rural migrants floating to these cities. Thus, urban villagers have developed housing in filling the demands of rural migrants. In Northeast China, the conditions for the real estate development business of urban villagers were different. The important question of how urban villages have developed their ‘property mind’ in North-east China is relatively understudied, although, as noted in section 1, doing so is critical for both theory and practice in housing studies.

Section 4: North-east China, Xiaojia village, data collection, and analysis

North-east China ³ has played an important role in the national security of the country due to its proximity to the defunct Soviet Union (Zhao, 2006). Therefore, in the
first years of the new China, state-owned enterprises (SOE) were located there. The first Five-Year Plan included 156 national key projects, of which 54 were established in North-east China. More than 80 percent of urban residents there worked in SOEs. In 1998, however, the central government introduced a large-scale layoff programme (下岗) to reduce surplus staff in SOEs. The closing of SOEs led former employees to migrate to southern cities. 25.5 million SOE workers were laid off between 1998 and 2001, and more than 1.6 million SOE employees were laid off in the province of Liaoning (Zhao, 2006). As the population in north-eastern cities declined, investors were no longer interested in the area. Nor did the reputation of the local governments in the north-eastern provinces help to attract investment, as they were known for intervening in companies’ businesses (Zhao & Wang, 2004).

Despite limited external investment and a shrinking population, villagers in the North-east developed their collectively owned land. The question, ‘How urban villagers develop their property mind’, is discussed next, using the village of Xiaojia as the case study.

Xiaojia village is an urban village located in the city center area of Chaoyang city, Liaoning Province. Different from the situation of rapid increasing urban population in the big cities of Southern China, the population in Chaoyang city has decreased by about 15 thousand people during the past ten years. This decline is because many previous employees of SOEs in Chaoyang city lost their jobs and floated to cities in the southern regions to look for jobs. However, the shrinking population did not stop the process of land requisition and redevelopment. During the past three decades, the land of Xiaojia village has been substantially developed, leaving only a small part undeveloped. The area of Xiaojia village was 2 square kilometres in the 1980s; however, by 2011 its area had reduced to 0.13 square kilometres (Xiaojia Villagers’ Committee, 2012). Part of its land was requisitioned by the state and the majority of its land was developed by its village collective by converting rural collectively owned land into state owned urban land. Additionally, the Xiaojia Village collective organized five collectively owned enterprises, and the total assets of these five collective companies are 360 million yuan (about 48.19 million euros). All 1421 local Xiaojia villagers are shareholders of these five companies, and many Xiaojia villagers work in these companies. The collective of Xiaojia village takes responsibilities to manage these five collectively owned companies, and the board members of these five companies are in accordance with the board members of Xiaojia Villagers’ Committee.

Xiaojia village has been selected for the case study because its spatial scenes are different from the typical urban villages in Southern China. Xiaojia village is not a migrants’ enclave that is full of high-density housing for rural migrants. It is worth analyzing how urban villages like Xiaojia village have developed housing without demand from rural migrants, external investments and opportunities of cooperation with other commercial developers. The other reason for selecting Xiaojia village is its long history of participating in housing development. The Xiaojia Village collective has participated in real estate industry since 1991 which was just after land reforms in China. The history of Xiaojia village land development has significant reflections on the institutional changes of land and housing in China.
Data were collected from relevant documents and laws. Where such documented data were non-existent, we conducted in-depth interviews from 2015 to 2017. Using multiple sources of data, what we call triangulation, helped us to obtain a more complete picture. Here, we clarify that triangulation refers to the data collection process. As Yin (2009) has shown in his authoritative work on research methods, triangulation is a technique that uses different data collection techniques within one study to confirm the validity of the data. For the specific case of Xiaojia village, we do not use triangulation to generalize; we simply use it as a way to better understand the case and ensure the internal validity of our work.

The documents collected include media reports, laws, official statements and regulations. While data about the precise year, the scale of construction, investment capital, benefits could have complemented these documents, access to them was restricted. To the Xiaojia village collective, these data are confidential. The information that is public, is the year and the scale of construction. This is one of the limitations of our data. So, instead, we conducted systematic interviews. Together, these data are sufficient to address the main research question, which is focused on how the villagers developed their property mind.

The interviews were particularly helpful in this respect. We applied the chain referral interviewing approach (King et al., 1994). Therefore, different interviewees were introduced and recommended by other possible interviewees. A key limitation of this approach is that referrals tend to be to people who are similar to those making the recommendations. We mitigated this problem by consciously trying to diversify the pool of our interviewees. For example, we selected our interviewees to represent ordinary villagers, board members of village collectives and authorities. Specifically, the interviewees were seven Xiaojia villagers, three board members belonged to the Xiaojia Villagers’ Committee, three board members were from the Hongyun Real Estate Development Company, two civil servants worked at the Construction Bureau of Chaoyang City, one officer was from the Land Resources Bureau of Chaoyang City, two civil servants worked in the Annals Office of Chaoyang City, two civil servants in the Construction Bureau of Shuangta District and one civil servant in the government of Shuangta District. Once we reached a saturation point (Fusch & Ness, 2015) after these interviews, the responses we received were nearly the same for the housing development details in Xiaojia village from different respondents. This meant our data was reliable. Besides, our interviewees were the key actors of the housing development in Xiaojia village who were involved the decision-making process. All the interviewees were long term staffs from the Xiaojia Villagers’ Committee. The head of the Villagers’ Committee has worked in the committee since the late 1980s. Though she and another interviewee, who was the vice head of the committee, have reached retirement age, the local government allows them to continue their work because of the villagers’ requests.

We analyzed the data thematically, following the Attride-Stirling approach (2001). So, data were analyzed through reduction, presentation, and interpretation. Reduction aimed to reach the crucial data that can help in addressing our main research question. Interpretation aimed to uncover the meaning of the data to answer the key research question.
Section 5: Housing development in Xiaojia village

Urban villagers decide to build housing for themselves

It all started in the 1970s when the local government requisitioned part of the collectively owned land of Xiaojia village. Though the local government paid compensation to the collective, the collective did not distribute it to villagers.

In 1991, just before the announcement of Notice Concerning Developing Real Estate, which officially regulated collectively owned land for commercial use, the Xiaojia village collective decided to develop housing on the remaining land after the requisition. This was the first development project of the village collective. The resource was from the compensation that the Xiaojia village collective received during the 1970s. The hukou of the villagers belonged to the rural residents; in other words, they still hold rural hukou, although farming was no longer possible in the middle of the urban area. The idea to develop housing came from the head of the villagers’ committee. She had noticed that the Bureau of Agriculture of Chaoyang City had developed housing for its employees. She then calculated that the Xiaojia Village collective had sufficient resources to employ two of the collective’s construction teams, who were unemployed. She explained why the construction team had challenges in getting opportunities for work:

Our construction teams did not have certifications to prove their skills. So, work units did not want to hire them for their projects. They did not trust the professional skills of our construction teams. We had to find some projects for our construction teams.

The housing that was developed was built on the collectively owned farm land, all investment came from the Xiaojia village collective, and the workers belonged to Xiaojia’s construction teams. The housing was targeted at local villagers. The collective controlled the costs, and the price was affordable because it was socially designed as such, recalling the original institutional economics position. The village collective decided to sell the leftover in the open market. However, it cannot be concluded that this decision reflected the economic hedonism in neoclassical economics because the start of running real estate business did not come from the demand and supply of land on the market as neoclassical economists tend to claim. The purpose of the village collective’s investment was not the market value of its land either, nor were they particularly interested in transactions qua transactions, as new institutional economists suggest. The emergence of the ‘property mind’ of the village collective also echoed social concerns, specifically, the job needs and housing needs of its villagers. Reminiscent of what Sa (2020), in her analysis of an urban village collective in southern China, calls the collective value logic, the initial housing development was not primarily driven by ‘individualist’ exchange and use value motivations. Clearly, the members of the Xiaojia village collective were involved in transactions; however, they did so not only by taking advantage of but also by shaping the land and housing markets.

Entering the market and developing commodity housing

By selling the surplus housing units, the Xiaojia village collective become accustomed to the real estate market. The timing of the sale was perfect because, at that time, there were only a few developers in the Chaoyang city housing market. Most of the
housing developers were either local or central government companies, and they developed welfare housing for the employees of work units. There was a significant demand for buyers who were excluded from the work units system.

The Xiaojia village collective sold the surplus housing units to buyers who were urban residents without work units or who were not satisfied with the quality of housing provided by the work units. The successful sale of the surplus units led the villagers’ committee to realize that the real estate development business could be a new source of livelihood. The village collective decided that its prerequisites for expanding the business were good. As a collective, it had gained experience from its first housing development project and it had funds for new projects. The collective reckoned that there were more buyers who wanted better quality housing, rather than the housing provided by work units.

This happened at a time when there was growing marketization of housing in China. Marketization of land and property created market mechanism for spatial development in urban areas (Zhu, 2004). This socio-economic environment provides one legitimating institutional context for spatial development. Xiaojia village collective has seized the opportunity to be a player to supply housing in newly built real estate market in Chaoyang city. The marketization (market force) as well as the economic rights of property can be regarded as a contributor to the moulding of Xiaojia villagers’ property mind.

When the Xiaojia village collective started producing housing, the residential options in Chaoyang city tended to be either single-story houses in narrow hutongs or poor-quality housing developed by work units. Having discovered a niche market, the Xiaojia village collective decided to develop quality housing. A board member of the Xiaojia Villagers’ Committee explains as follows:

We realized if we built the same style housing, not different from the ones the others built, we would get into a price war. We had to cut down our costs and make the price low. And if we kept doing so, we would never become a successful developer. As a developer we had to listen to the voice of the market and consider the profits.

The collective decided to develop quality housing in a gated community, reasoning that this would provide high-quality living for those urbanites who were dissatisfied with the quality of work unit housing. The gated community, which the village collective developed was the first of its kind in Chaoyang city in 1994. This discovery, that gated housing varies in form and formation and that it can be demanded and supplied not always for security reasons but also for improved conditions and status, can be said to be consistent with earlier research in Asia (e.g. Obeng-Odoom et al., 2014).

Gated community housing for the middle and upper classes was a new concept for Chaoyang city residents. The idea to build a gated community came from a popular Singaporean soap opera relayed on China’s television. The deputy head of the Xiaojia Villagers’ Committee explained as follows:

The popular Singaporean soap opera showed us a new idea that housing could be built in a different way! The housing in the soap opera looked so modern and fancy, it was different from the housing in which we used to live. We realized it might be a good chance for us if we developed a gated community in Chaoyang city. You know, at that time, it was popular to follow the fresh things from Singapore and Hong Kong. We believed housing style would not be an exception. Then we hired a professional agency from Dalian City to help us to design a gated community.
The Singaporean soap opera 'We Are on a Journey' (ren zai lv tu) depicted the lifestyle of the young generation in Singapore. The main characters lived in modern high rises with modern facilities, including a kitchen and bathroom in the apartment. These Singaporeans went to work driving their own car, and the contrast to life in China was striking. At that time, most of the villagers labored for work units and lived in housing provided by them. Houses were single-story, bathrooms were outside, and people had to go public baths to take a shower. In their kitchens, villagers used wood or coal to cook food. Even taxis were not common in middle-sized Chinese cities; bicycles were the most common mode of transportation.

According to the vice head of the village, one rainy evening when the villagers of Xiaojia were watching the soap opera, they realized that they could also make that other way of life real in Xiaojia village. This finding suggests that villagers learnt to capture profits from the market. However, their 'property mind' was not only developed by the profits but also by social and cultural effects (e.g. Singaporean soap opera). They could establish companies that were not-for-profit at the beginning, or were non-profit, but could make profit (Obeng-Odoom, 2016, p. 53). Clearly, neither demand, supply, nor price was the only consideration. Reflecting a wider interaction of institutions, as original institutional economists suggest, the markets the villages were thinking of creating did not exist independently; rather, they were created by multiple factors, including the demands caused by institutional constraints on the provision of commercial housing, the limited supply caused by the state owned enterprises system and the sub market disembedded from the planned economy to the regulated market economy. Thus, the market is institutionally and culturally constructed and it would be embedded in society (Polanyi, 1944).

**Establishing a real estate company**

The gated community project was a success. Suddenly, then, the institutional environment changed. In 1998, the state council announced ‘The Resolution on Continuing Urban Housing System Reform, Accelerating Housing Development’\(^6\), which concluded the production of welfare housing by work units. In the same year, the Land Administration Law was amended, and the regulation of rural land use was strengthened. Because the law did not recognize the ‘commodity housing’\(^7\) built on collectively owned rural land, it rendered the housing developed by the village collective illegal. Before this amendment, SPRH was not a discussed issue. A local government official explains as follows:

No one realized that the buildings were illegal. Even some government officials did not realize it. And the buyers did not care whether they had full ownership, since they did not understand why land ownership as well as ownership of the property was needed. People were used to live in public rental housing without ownership. They did not realize the differences of property rights between public rental housing and commercial housing.

Additionally, in the beginning, buyers of the gated community developed by Xiaojia village collective even did not realize that the property rights of their housing
were important. They started to recognize the importance of property rights when the ownership started to link with the registration of *hukou*.

The findings are consistent with the contentions of original institutional economists, notably their claim, originally developed by Karl Polanyi, that ‘the economy is a socially instituted process’ (Polanyi, 1944/2001). The finding shows that landed property rights are not natural but naturalized by the institutional context. Property rights can be viewed as a function of social relations (OIE) instead of a simple relation between people and things (NIE). These wider social relations are not only determined by the relations among people but also conditioned by institutional context.

The local government came to help the Xiaojia Village collective to solve the illegality problem, and it converted the collectively owned rural land that was already developed into urban state-owned land. This was a sugar-coated danger. On the one hand, it made the housing developed by the village collective legal. The housing developed by the Xiaojia village collective were not SPRH as what the media and authorities criticized in other urban villages. On the other hand, it weakened the possibilities of future development by the village, as the collective could no longer use its own land for that purpose. However, it did not stop the steps taken to develop real estate in Xiaojia village. Instead, between 2005 and 2013, three estates with more than 1000 apartments were developed by the collective, all of which were sold. This success is because the changes of the institutional and business environment brought new opportunities to the Xiaojia village collective.

On the one hand, the end of the provision of housing by the work units since the late 1990s has created large demands for commercial housing; on the other hand ‘the new phase of planning for growth’ has rendered the techniques of centralized local-scale city planning (authoritative development controls, area-based intensity ratios, and so on) (Wu, 2016) which provides more room for local developers like the Xiaojia village collective to get more chances. Then, the collective also expanded its real estate development business to produce office buildings (seven altogether). Consequently, the collective became one of the biggest developers in Chaoyang city. To better organize the management of its real estate business, the Xiaojia village collective established the Hongyun Real Estate Development Company, which is registered as a limited liability company and is managed by the Xiaojia village collective. The same people sit on the boards of both organizations. This result proves that, the sub market of housing which the Xiaojia village collective entered, is conditioned or even partly created by the institutional transformations. The property mind of the Xiaojia village collective is not natural, instead, institutional transformations, including land and housing reforms contribute to the creation of the ‘property mind’.

Additionally, the change in the business environment was the increasing price of the land since the 2000s. This did not go unnoticed by the Xiaojia villagers, who urged those whose land had been requisitioned in the 1970s and 1980s to complain that the compensation they had received was unfair and that their living rights had been violated. Carolyn Cartier (2001) observed similar grievances in other Chinese cities, namely that compensations were not paid to farmers but to the village collective. Interestingly, the Xiaojia villagers did not demand that the cash compensation be paid to the collective be shared, but they did demand a redistribution of the
collective’s land. In 2005, the Xiaojia village collective was allotted the use rights of the collectively owned farm land. Such a redistribution is unusual, as the Law of Contracting of Rural Land in China prohibits it except in special circumstances. This redistribution indicates that the village collective did not make its decisions solely on market logic, which looks for the maximization of profits only. While willing ‘to become rich’ (see the next subsection), and well-positioned in comparison to the much more populous group of landless rural migrants in Chinese cities, the Xiaojia village collective sought to find an alternative way to ‘socialize’ the profits among themselves.

Listing the projects, however, does not explain why the Xiaojia villagers had faith and belief in the head of Xiaojia Villagers’ Committee and was ready to implement her idea, and why villagers accepted her ideas without doubts. Above all, these projects do not indicate what the villagers themselves thought about all this transformation. These thoughts are discussed next.

**Following the elites and becoming rentiers**

The villagers began the first development project because the head of the villagers’ committee suggested it. The villagers had no difficulties in accepting her proposal because they regarded her as a wise decision-maker and appreciated her skills in seizing business opportunities. She was originally selected and educated by the previous head, and she has been the head since the 1980s. Although since the 2000s, the villagers have the right to vote for new board members every third year, the villagers have continued to vote for her because, as a member of the elite, ‘she is a wise woman and helps us to become rich’, as one villager remarked, ‘elites have a broader horizon than us. Following them always has good results, especially when these decisions also have a wider influence’.

The head of the village has had the role held by the sage king in the texts of China’s classical philosophers, namely, to make a wise decision on behalf of the villagers. However, the development of business requires technical skills and business instinct. How did the villagers’ committee learn these? The deputy head of the villagers’ committee explained as follows:

We learnt the skills by doing. At the beginning (the 1990s and the 2000s), we observed how the work units developed housing and learnt how to do it. Then we started to cooperate with partners, for instance, an architectural agency in Dalian.

After all, the deputy head shared, it was the domestic developers who were taken as a model:

We went to Dalian and visited Wanda Plaza in 2010. We were impressed and wanted to develop a similar shopping mall in Chaoyang city. We sent a proposal to the municipal government, but they did not approve it. So, the important point of developing projects in small cities is not only what you learn from outside, but also knowing what you could do.

Although the real estate development business of the villagers’ committee had not quite reached the quality of the big players and their proposal imitating the project of the multinational conglomerate was rejected, the committee was conscious about what it had done:
We used a special approach called the snowball method (滚雪球法). Our old buildings were the starting points of the snowball. This approach helped us to have work and a place to live as well as enough money to build new buildings. And it was a cautious way for us, because we did not know many rules of the real estate market at that time.

Following the proposal by the head of the villagers’ committee led to success, many of the villagers today own several apartments. Following her advice was the right choice, but it does not explain the success. Timing had its role to play, as is usually the case in the real estate game. The timing was right when the villagers’ committee sold the surplus housing units, and when it entered the market, the villagers were fortunate. The villagers had all reasons to be satisfied. However, despite their good fortune and success, suspicion crept into the minds of some, as one board member expressed: ‘The success achieved by Hongyun cannot continue. Now, many urban residents in Chaoyang city hold more than two apartments and wait for speculation opportunities’.

The Xiaojia villagers who own several apartments and are waiting for speculation opportunities are not so different from urban villagers in the South. In Shenzhen, villagers in urban villages ‘normally own more than ten apartments and have become ‘fang ye’ (rentiers, people whose main income is rent); it is not rare to see some villagers holding more than one hundred apartments … The head of villagers’ committee has become the chief executive, and the villagers have become shareholders…” (Shanghai Security News, 2013).

Do the Xiaojia villagers regard themselves as rentiers and shareholders and the village head as the chief executive consistent with neoclassical urban economics theory or are they differently motivated as original institutional economics might suggest? These are empirical questions, so to answer them, we asked the villagers themselves and investigated the villagers’ attitude towards land.

**Planting housing and the meaning of ownership**

It has repeatedly been argued that land in China ‘is the most important form of property, for it belongs to all generations’ (Yang, 1968, p. 46). For hundreds of years, land has been the most important resource for Chinese peasants, and in many cases the land has been the only source of living. Fei Xiaotong, called ‘China’s foremost sociologist’ in his writings emphasizes the importance of the land for the Chinese society. According to Hamilton & Wang (1992, p. vii) with the title of his book, Xiangtu Zhongguo, Fei ‘is conveying a subtle meaning to his readers—that Chinese society has grown out of its ties to the land’. This not only means that the productivity of the land is a source of subsistence but also that the relationship with the land is the basis of the social relations and attitudes of the people. As Fei writes, ‘The villagers judge a person as good or bad according to his industry in working on the land. A badly weeded farm, for instance, will give a bad reputation to the owner. The incentive to work is thus deeper than the fear of hunger’ (Fei, 1939, p. 181).

How did the Xiaojia villagers perceive their activity as rentiers, collecting rent and waiting for speculation opportunities? They found in it a new activity; however, they also recognized something familiar, as the deputy head of the village explained:
Investing in land is not new to us. In the past, we made the decision about the types of crops that could give us the most products, and now we decide to 'plant' buildings because they produce more than crops. The only differences between planting crops and buildings are the timing and the means of harvesting.

Another villager added as follows: 'In the past, we planted crops and got food. Now, we “plant” housing (zhong lou) and get rent. No matter in the past or now, we rely on the land’. Often, it sounded like the Xiaojia villagers saw no difference between planting crops and housing, as if they were just continuing their work as farmers. This recalls the economic rights of property, no matter which activities farmers have done on land, the bundle of economic rights of property guarantees their profits from land. However, in fact, housing has replaced crops on their land due to the institutional and social changes. Landed property rights are not simply the relationship between people and land, it is socially and institutional constructed. For the Xiaojia villagers, collective ownership is not challenged and proprietorship is not an issue, as the head of the village committee explained:

We (Chinese peasants) have a long history of dealing with complicated land tenure relations. You cannot wait for all titles to be settled and only then start to invest in land, otherwise you will lose the opportunity. According to an old saying, 'Take one step first and then start to think about your next step (走一步看一步)'. When you are motivated and believe the action could bring revenue, you should begin immediately. The result of the first step will not take a long time to show up and it will not make you lose lot of money. If you find the first step goes in the wrong direction, on your next step you still have a chance to turn back.

Though the housing developed by Xiaojia villagers is privatized, this is not a typical neoclassical case of private ownership or, markets, emerging to extinguish communal tenure of land. Neither is it a new institutional economics case of land markets evolving from communal to individualized tenure. In tandem with the collective value logic, land rather continues to be an important part of the villagers’ life (Sa, 2020). There is nothing new in such a conclusion, in the context of China, Yang Xuecheng and Zeng Qi (1996) discovered that peasants who worked in non-agricultural sectors and whose land was left to lie fallow were nevertheless ‘unwilling to totally break away from the land’ (Yang & Zeng, p. 22). Kung (2000) also found the farmers’ belief that land is commonly owned and that they have equal entitlements to it is so deeply rooted that even the whittling away of their ownership does not make them doubt it.

One could summarize the story of the Xiaojia villagers’ real estate business as business as usual. When the villagers sold the surplus apartments in the market, they regarded it as not so different from selling the surplus over the quota allowed in the household responsibility system. The village’s construction team did not find any problems with beginning to produce commercial housing. The deep-rooted belief in the power of land facilitated the discovery of new uses after institutional changes.

Section 6: Conclusion

The story of how Xiaojia villagers developed their property mind can enrich the debates on property rights. In the beginning, Xiaojia villagers entered into the housing market and became developers because of social concerns and influences.
Overtime, they broadened out into the real estate industry to also enhance their livelihoods without abandoning the development of housing for use purposes. In this process, they have made profit, too. Profits the village collective earned from housing development were socialized among villagers. Clearly, then, the economic rights of property does contribute to create villagers’ property mind, but it is not the sole or only driver of how the villagers developed their ‘property mind’ (Haila, 2016) or ‘real estate mentality’ (Rogers, 2017). Remarkably, the collective value logic (Sa, 2020) was part and parcel of the process in how the villagers cultivated their emerging property mind in accordance with institutional, legal and societal transitions that went on in market-socialist China throughout the analyzed period.

Delving more deeply than is common in Chinese urban studies into interconnections between the housing question and the land question, this study has argued that the ‘property mind’ of the collectives has developed both internally and internationally. Internally, the ongoing process of marketization helped to provide a legitimizing institutional context (legal rights of property), as developed in the work of OIE. The Xiaojia Village collective developed one project after another without bothering about their specific ownership of land. They only realized the property rights of land issue when the institutional environment changed. However, this progress of institutional transformation is not a matter of simple privatization. In China, what is usually called ‘privatization’ in the Western sense can better be described as ‘marketization’. There has been widespread experimentation with markets in China, but public ownership retains its dominant role (Zhang, 2006). So, it is marketization process instead of privatization per se, which help to explain how the village collectives develop their ‘property mind’. This finding also supports the main argument, widely canvassed by original institutional economists, that the economy is moulded socially, institutionally, and contextually.

Additionally, this finding could also imply that the understanding of neoclassical and new institutional economists, which prioritizes private property rights, is quite problematic. Further, the demand for private property rights, based on trust in the market logic of supply and demand, appears quite narrow. Xiaojia villagers seem to have their own logic about land and property. As Xiaojia villagers’ claimed, they have a practical mentality on developing real estate. Their ‘property mind’ is institutionally constructed by the marketization of land and housing within China, and it is also socially and institutionally constructed by the influences of international forces (in this case, one foreign model for their ‘culture of property’ was adopted from Singapore) diffused through the media and other outlets in China (Haila, 2016; 2017). However, this does not mean Xiaojia village case is a model for all urban villages. In Southern China, some other factors, for instance, kinship might effect on the decisions on land development as well.

Theoretically, therefore, how the property mind of Xiaojia villagers developed is clearly consistent with the contentions of the original institutional economics school. To appreciate the significance of this theoretical and methodological point, however, it is necessary to consider debates about property rights both in context (in relation to one another) and within context (using a case study, for example). The focus on land is important because 1). Land is all too often neglected in mainstream economics, housing economics and other social theories influenced by neoclassical urban
economics (Haila, 2016; Obeng-Odoom, 2016; Ryan-Collins et al., 2017); 2). Most of the housing questions arise from land and how it accumulates value. Land question becomes a social problem as their forms and policies are debated, fought over, and transformed (Haila, 2016; Obeng-Odoom, 2016; Ryan-Collins et al., 2017); 3). Focusing on land in general and land reforms in particular could provide one effective pathway to addressing the housing question, and in this way expanding the range of theoretical and empirical options available in housing studies. Also in housing studies, ‘the crucial theoretical question of the place of land’ (Christophers, 2016, p. 145) in economic and social transformations has too rarely received the attention it deserves. That, evidently, is the lesson to be learnt from how the Xiaojia urban villagers developed their property mind in North-east China.

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**Notes**

1. During the ‘Big Four Clean-up Campaign’, former landlords, former rich peasants, counter-revolutionaries and ‘bad elements’ that had been found guilty of political or social infractions had been defined as ‘four bad types’ and class enemies.
2. Hukou is a registration status of Chinese citizens, either urban or rural, giving them social security in the place of the registration.
3. The provinces of Liaoning, Jilin and Heilongjiang.
4. Villagers’ committees are self-managed organizations at the grassroots level in rural areas. The committees are supervised by the town government.
5. Hutong is a type of neighbourhood composed by shabby and old houses.
6. 国务院关于进一步深化城镇住房制度改革加快住房建设的通知. (Circular of the State Council on Further Deepening Urban Housing Reform and Accelerate Housing Construction)
7. Housing developed for the market.
8. Developed by the Wanda Group.
11. Often translated as ‘From the Soil’.

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