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Government-oriented Land Circulation from the Perspective of Social Governance

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Abstract This paper firstly summed up institutional change of land circulation after the foundation of new China, analyzed main characteristics and internal drawbacks of government-oriented land circulation, discussed the governance cost of local government-oriented land circulation, and evaluated the governance performance on the basis of the transaction cost theory. Results show that local government-oriented land circulation is a resource allocation mode for maximizing benefits of an organization, and its microscopic functions and values are mainly encouragement and restriction, while its macroscopic functions are comprehensive administration of results of state policies. Finally, it put forward policy suggestions for improving local government-oriented land circulation: cultivating diversified rural land circulation modes and regulating acts of local officials; stressing that building harmonious land circulation mechanism is the responsibility of central government; setting up recognition mechanism of the public to local government.

Key words Government-oriented, Land circulation, Governance cost, Governance performance

At present, sharp expansion of urban areas leads to shortage of supply of urban construction land. Land expropriation of local government by force becomes a major cause of corruption and various social events. The *ultra vires* of local government and vacancy of supervision of central government not only cause improper resource distribution of government, but also result in many social governance problems^[1–3]. Objective assessment of performance of government-oriented rural land circulation becomes a prerequisite for implementing circulation policy of central government, safeguarding farmers' benefits in conformity with legal provisions, and promoting social stability. I summed up institutional change of land circulation after the founding of new China, analyzed main characteristics and internal drawbacks of government-oriented land circulation, discussed the governance cost of local government-oriented land circulation, and evaluated the governance performance on the basis of the transaction cost theory.

1 Institutional change of land circulation

From the 1950s to the end of twentieth century, government launched series of land reform, "land privatization of landlord" to "land ownership of farmers", to "quasi private ownership", to "quasi public ownership" and "People's Commune" collective ownership, then to nationwide popularization of "Xiaogang Village" model in the 1980s. At the same time, "agricultural land turning into non-agricultural land" is also carried out without confusion under administrative orders from government. After new China was founded, government launched

a public ownership movement of private real estate of old bureaucrats and the rich class. However, due to backward development of industrialization and urbanization, as well as large population but little land, no violent demolition has occurred at that time. In brief, the land circulation at that time is promoted mainly by administrative force, rather than social force. In general, intervention of government in land circulation may impair production efficiency, but can promote social equity.

In the 1980s to 1990s, the land circulation evolved along two roads: one is preliminary circulation of farmland use right in vast rural areas; the other is circulation of collective land in cities and towns. With increase in non-agricultural employment opportunity and reduction of agricultural comparative benefit, circulation of farmland contractual right starts to appear on the condition of no change of contractual right. At the later period of the 1990s, farmers abandoned their land due to heavy burden. As a result, central government was forced to intervene in circulation of abandoned land. In economically developed regions, abandoned land evolved into agricultural enterprises. Nevertheless, these beneficial reforms come to a premature end due to Southeast Asian economic crisis or government intervention.

After it enters the 21st century, the land circulation in vast farming regions is mainly spontaneous action of farmers, while the government or collective oriented land circulation is mainly expanded in urban-rural connection areas. However, with deepening of reform and expansion of cities, non-agricultural and nationalization movement of rural land takes place in cities and towns. To fill financing gap of economic construction and satisfy demand of industrial land, local government launched gigantic and vigorous movement of enclosures, resulting in occurrence of extreme events of demolition. In the face of social danger resulted from short-term acts of government expropriation, to standardize expropriation acts of local government,

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central government has taken a series of legal policies and measures. In the course of confrontation between private right and public right, every step the safeguarding of proper private right advances, there will be huge cost incurred by numerous social classes. Sometimes, there will be cost of lives^[4].

From a general survey of all previous times of land circulation after the foundation of new China, it can be seen that sign of government could be found in reform of rural land use right or property right. In traditional agricultural regions, it has formed multiple patterns and multiple circulation modes of agricultural land circulation; in the urban fringe areas, it has formed non-agricultural pattern of local government oriented land circulation and centralized nationalized land circulation.

2 Nature analysis and performance assessment of government-oriented land circulation

2.1 Inherent characteristics of government-oriented land circulation Government-oriented land circulation is a general designation of land circulation carried out mainly by government with the aid of class order, leader authority and government enforcement. From the path of land circulation, it is seen that government obtains land from farmers or collectives through its monopoly and enforcement, change the nature of use, and sell to enterprises or land brokers at monopoly price, so as to obtain land circulation income. From the borders of land circulation, the government-oriented land circulation starts to expand from downtown to suburbs and then to traditional agricultural regions.

2.1.1 Main characteristics of government-oriented land circulation. (i) In the circulation subjects, there is such class order as innate identity, status and subordinate relationship, which play the role of intermediary. (ii) In the distribution of land circulation, there is a hierarchical mechanism, especially political power determining value orientation of land circulation. (iii) The power center controls process and operation of land circulation from top to bottom according to political demand, social awareness and social stability. (iv) The closeness of different groups to the power center and the preference of reformers determine who will be benefited from land circulation. (v) There is a kind of socio-cultural mentality or custom of subordinate absolute obedience to superior and a punishment mechanism of breaking superior orders, to guarantee effective implementation of government-oriented land circulation mechanism. (vi) Since the government-oriented land circulation is orderly and controllable, its transaction cost is low but its efficiency is high. However, its social cost is high due to public complaint.

2.1.2 Internal drawbacks of government-oriented land circulation. (i) Central government has to make payment for cultivating farmer organizations. No matter the collective or the government, it needs paying organizational cost. (ii) The principal-agent chain of government is too long, so the establishment and implementation of politicians' authority need higher compulsory obedience cost, stability cost and predictable cost. (iii) In government leading condition, unclear definition of land proper-

ty right, high internal consumption of the same level officials and high moral risk of subordinate officials, vacuum of power succession, time factor, as well as high cost for coordinating superior and subordinate, lead to higher total transaction cost of government-oriented land circulation, compared with that of collective-oriented land circulation. (iv) Since the government-oriented land circulation replaces objective law with impractical ideas, together with influence of bounded reason and monopoly of decision-making power, government-oriented land circulation has to pay higher cost for learning and bear greater risk cost.

2.2 Governance cost of local government-oriented land circulation To achieve ideal policy effect, reformers must balance selection of collective, government and farmers in land circulation, and must quantify transaction cost, governance cost and land circulation performance. The total cost of government circulation land is the total operation cost for institutional arrangement after selection of land circulation policies. Such cost is not merely short-term cost, but should also be long-term cost; it is not simply the maximum cost for government safeguarding ruling and obtaining self-benefit, but should also be the cost for strengthening the nation and enriching the people.

The government-oriented land circulation is generally conducted in following steps. Step 1: for the purpose of economic demand, superior government (such as province, city and county level government) issues order to expropriate land. Villager autonomy organizations execute superior order and farmers' land is expropriated. Step 2: if farmers agree with land expropriation and obtain compensation that may be not reasonable, the land circulation will go smoothly. If farmer think that the compensation is not reasonable or the land circulation threatens their survival, the collective group forces farmers to transfer their land in collusion with grass-roots government. Then, the conflict between farmers and grass-roots government will be provoked. Grass-roots government obtains certain economic or political benefit through handing the expropriated land to land expropriation government. Step 3: land expropriation government piles up money through enclosing, hoarding and selling land, leading to furious development of land finance and corruption finance.

The land circulation cost under government-oriented condition includes direct economic cost and non-economic cost. Here only the non-economic cost is considered. (i) To guarantee legitimacy of forced land circulation, government has to establish huge bureaucracy and pay enormous organizational or administrative cost. (ii) To ensure relative fairness of land circulation, government has to pay executory cost and monitoring cost for supervising loyalty of subordinate bureaucrat. (iii) In the course of land circulation, the government has to pay losses incurred from running counter to economic laws, namely, replacing rational state policy with unpractical measures. (iv) The government has to pay cost for internal consumption of land circulation benefit of the same level bureaucrat and for co-ordinating benefit between superior and subordinate. (v) The government has to pay opportunity cost incurred from low land circulation efficiency due to limitation of knowledge and informa-

tion of superior bureaucrat and blind following of subordinate bureaucrat. (vi) The government has to pay cost for constantly strengthening state apparatus due to weakening of government's public trust and authority resulted from improper land circulation policy.

To sum up, in a society integrated with power, capital and knowledge, public trust of local government drops rapidly for various reasons. As a result, although the economic cost for government-oriented land circulation is low, its governance cost is high.

2.3 Performance assessment of the local government in land circulation governance In the case of government-oriented land circulation, it is difficult for central government to balance overall benefit of farmers and to ensure that farmers can be benefited from land circulation. Since the land circulation cost consists of long-term cost and short-term cost, the performance of land circulation reflects economic and social benefits brought from government consuming the total social cost.

The governance performance of government-oriented land circulation includes following points. (i) Constant improvement of agricultural economic performance brought about by expansion of agricultural scale, and economy of scale due to industrialization and urbanization resulted from agricultural modernization. (ii) Wide and constant improvement in economic income and living standard brought about by optimum distribution of urban and rural economic resources. (iii) Individual rights, freedom and dignity of farmers widely respected; creativity and individuality brought into full play; rise of farmers' happiness index. (iv) Gradual strengthening of harmonious degree between social nationalities and classes, and gradual enhancement of constant stability and controllability of social and political situation. (v) Able to catch opportunity of improving economic and institutional performance thanks to high adaptability of land circulation system to environment. Great performance of land circulation governance makes large contribution to increase in farmers' income, economic prosperity and social harmony^[5].

From the perspective of objective function or constraint of performance of land circulation governance, the connotation of governance of government-oriented land circulation includes governance of bureaucrats, land-expropriated farmers and collectives. (i) These are mainly shown in governance cost and performance of land-expropriated farmers' economic right of equality, social security right and government recognition right; governance and performance of collective elites' social participation right, benefit-sharing right and grass-root decision-making right; governance of local government's executive right, social supervision right and error correction mechanism. (ii) Bureaucratic order easily causes that administrators (or collective elites) care about their own interests, which is not favorable for increasing benefits of most farmers. (iii) The local government-oriented land circulation is also likely to infringe upon basic human rights of farmers, such as freedom, equality and dignity. And it may inhibit creativity in land circulation model and is

not favorable for agricultural modernization. What's more, the association of local bureaucrats' benefits is likely to lead to grouping of benefits, consequently resulting in accumulation of internal conflict and leading to social instability. Therefore, it is indicated that collective lacks harmonious and stable foundation.

3 Conclusions and suggestions

3.1 Conclusions Local government-oriented land circulation is a resource distribution model based on maximization of departmental benefits. As to arrangement of a new land circulation model, its functions lie in providing internal members with institutional arrangement and interest safeguarding mechanism, to prevent external members harming benefits of internal members through institutional arrangement. Besides, it is also possible to coordinate conflict of interests between social organizations, establish a sustained incentive mechanism for internal members forming stable institutional expectation, and reduce transactional cost and economic consumption inside the system and between systems on the basis of the above factors. It is thus clear that the microscopic function and value of land circulation policy arrangement of central government are mainly encouragement and constraint, while its macroscopic function will also take account of comprehensive administrations of the state over policy results. If the land circulation cost is too high, it will be not suitable for firm policy objective and constraint circulation performance. Therefore, it is required to screen out the optimal land circulation model and combination policy through comparing different land circulation cost and governance performance.

3.2 Suggestions

3.2.1 Cultivating diversified rural land circulation modes and regulating acts of local officials. In the public choice theory, bureaucratic organization and agent have self-interest feature of economic man, thus the land circulation not only involves natural person, but also involves legal person that has attribute of economic man^[6-8]. Therefore, the best method for standardizing acts of local officials is to establish diversified rural land circulation modes to let farmers select. In view of social governance cost and long-term economic performance, the government-oriented land circulation must follow the principle of fairness and efficiency. Otherwise, it will certainly lead to social turmoil. However, in a society where there is lack of democratic mechanism, the government-oriented resource distribution mechanism is a double-edge sword. Therefore, central government should formulate and implement laws in accordance with humanism, and make effort to circulate land through constitutional arrangement, to safeguard farmers' rights and interests.

3.2.2 Stressing that building harmonious land circulation mechanism is the responsibility of central government. In a democratic underdeveloped society, due to weak groups in land circulation lacking healthy channel for claiming their benefits, central government should establish a proper resource distribution mechanism and a social security mechanism that get rid of local government-oriented money piling up through land transaction. In addition, central government should also provide appropriate training, employment, medical and endowment and

unemployment insurance for land-expropriated farmers, to remove their worry. Furthermore, it is required to implement severe punishment mechanism in times of disorder. In a society where the corruption is prevalent, the distribution of resource can not do without people. Comprehensive administration of institutional innovation and executive subjects is a long-term issue for central government. Standardizing economic acts of officials in land circulation is favorable to reducing governance cost and economic performance.

3.2.3 Setting up recognition mechanism of the public to local government. In view of farmers' low social organizational ability and congenital dependence on government, as well as local officials having the action of taking advantage of public resources, central government should mobilize social forces and public opinion to supervise local officials, to overcome legitimate crisis brought about by local bureaucrats to the ruling party, so as to reduce investment in public trust and save cost for expansion of state apparatus. Besides, it is preferred to combine construction of public trust and construction of a clean government, together with grant of equal property right and civil

right to farmers.

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on grain yield is not significant, mainly because there are great differences of the geographical conditions in Chongqing's regions (63% of land in whole city is the mountains; more than 25% of land is the hills; less than 12% of land is flat land). And it has a large population in a small area, the farmland is dispersed, and the level of agricultural mechanization base is weak, limiting the development of agricultural mechanization and causing inconspicuous effect.

3 Conclusions and policy recommendations

Through the establishment of panel data model, this study analyzes the general effect and structural effect of "four agricultural subsidies" in Chongqing City on grain yield. The results show that on the one hand, the general effect of "four agricultural subsidies" on grain yield is significant, with coefficient of 0.442, that is, for each additional one percentage point in "four agricultural subsidies", the grain yield will increase by 0.442%; on the other hand, there are differences in the structural effect of "four agricultural subsidies" on grain yield (comprehensive subsidies for means of agricultural production has the strongest effect on grain yield, followed by subsidies for promotion of improved variety of seed; the effect of subsidies for purchase of agricultural machinery on grain yield is not significant).

Based on this, in future policy selection, the Chongqing municipal government should further implement the policy of "four agricultural subsidies", give full play to the positive effect of "four agricultural subsidies" on grain yield, play the role of effect in cumulating, fully mobilize farmers' enthusiasm for growing grain, to ensure the safety of grain production. At the same time, due to differences in the structural effect of "

four agricultural subsidies" on grain yield, when implementing policies, it is required to not only make unified planning so as to take into consideration every aspect, but also ensure that emphasis is laid on one particular field based on actual situation of development in Chongqing City. It should further increase comprehensive subsidies for means of agricultural production and subsidies for promotion of improved variety of seed, to lay a solid foundation for grain production. Further, in view of the problem of inconspicuous role of subsidies for purchase of agricultural machinery in increasing grain yield, it requires Chongqing City to speak or act with a well-defined objective in mind in the implementation of the policy, avoid "one size fits all"; according to the resource endowment and geographical conditions in various regions, rationally determine the geographical range suitable for offering subsidies for purchase of agricultural machinery, and reduce blind obedience to the policy, to ensure that the policy effects come into play.

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