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# System Factors for Land Corruption in China

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**Abstract** In China, institutional factors for the land corruption include: (i) implementation of land policy lacking proper security mechanism; (ii) weak supervision system; (iii) vacancy in supervision due to dual land management system; (iv) corruption of land finance resulted from system of tax allocation; (v) imperfect land management system; (vi) poor coordination between central and local government in land policy; (vii) unreasonable land allocation system; (viii) vacancy in unified procedure and standard of land transfer. In view of these factors, this paper came up with pertinent countermeasures: (i) improving land operation mechanism and establishing sunshine land market; (ii) improving corresponding supervision mechanism and verification system; (iii) taking advantage of the audit system.

**Key words** China, Land corruption, System, Factors

## 1 Current situation of land corruption in China

With the continuous development of China's economy, the value of land is continuously rising. Land is not only the foundation for survival of farmers, but also the basic element of socialist modernization construction. The socialist modernization construction of China requires a large amount of land as the capital for construction. The land market has become an area with frequent occurrence of corruption. In recent years, there has been a clear rising trend in corruption cases in the use of land. In China, land resources are state-owned, and the proportion of allocation of land resources through market is not high and the transparency is low<sup>[1]</sup>. Nowadays, under the impact of hot development of real estate, illegal land market entry and black market operation are common. The problems of illegal land occupation and illegal leasing are particularly serious. Many laws and regulations promulgated by the central government on land transfer and real estate are not put into practice. Seeking huge profits through land has become a means of rent seeking by some organizations and individuals. For example, many deputy provincial officials get under investigation at appointed duration and place by Central Commission for Discipline Inspection of the CPC. In addition, officials involved in the case have higher and higher position, and more and more people are involved, showing a group trend of corruption.

## 2 System factors for land corruption in China

The land corruption in China is often imputed to the world outlook and moral concept of individuals, the impact of long term of feudal society and the reform and opening-up. These views are reasonable to a certain extent, but they can not fully explain the reasons why there is serious land corruption. According to the materialist view, external factors work only through combining with internal factors and practical situation, thus it is necessary to study factors for the

land corruption from the perspective of the system.

**2.1 Vacancy in security mechanism** China has promulgated many laws and regulations on the land system, but few of them are put into practice. Although the government has implemented the most severe farmland protection system, much farmland is still being used for purpose other than farming. According to the result of a survey conducted in a district of a municipality directly under the central government, the total illegal land use took up 79.3%, in which 91.3% was farmland. This is the exact the system defect in the process of implementation of policies. Many systems change with the changes in the leaders' ideas and attention. It is just because the implementation of the land policy lacks a corresponding security mechanism that some officials can take advantage of it and make use of loopholes in state laws and policies, and seek huge profits in the course of land transfer.

**2.2 Weak supervision system** To curb corruption, the government usually educates officials in the hope of stopping the corruption. The monitoring and supervision mechanism set in the system fails to bring into play. As a result, the system, institution, and function just remain in name, and regulations are not followed by officials, and various unspoken rules are widespread.

**2.3 Vacancy in supervision due to dual land management system** Since 2003, China formally launched the line management system for the land below the province level. Provincial-level land and resources departments remain the current situation, and land and resources departments at city, county, and township levels implement the dual leadership management system. The land and resources departments at city, county, and township levels mainly adopt the leadership management of the upper level land and resources department, their institution organization, staff organization and fund arrangement are still managed by the local government at the same level. Such management system is scientific to a certain extent, but its shortcomings are also obvious. For example, dual leadership may lead to management vacancy and intervention of local government against the land management and other problems.

## 2.4 Corruption of land finance resulted from system of tax allocation

From 1994, China started implementing the system of tax allocation in the fiscal and taxation system. Specifically, 55% of local taxes should be handed to central finance, and the rest 45% was owned by local finance. The reform of the system has well solved the financial relationship between the central government and the provincial government, but the financial relationship at the provincial level and below was not properly treated. In reality, principle of unified administrative and financial powers fails to be effectively adhered to. The local government still shoulders the heavy responsibility of developing the local economy and lacks stable income source, and local areas need 40% taxes to support the original administrative power, so local governments have to find new financial sources. The income from land transfer belongs to the revenue other than the budget of the local fiscal revenue, which is not included in the scope of local public revenue. The local government can control this part of the income more freely. A huge amount of land transfer income undoubtedly gives officials the opportunity of land corruption.

## 2.5 Imperfect land management system

**2.5.1** Land property right system. For a long time, China fails to establish a scientific land property right system that meets the modern requirements. The main body of ownership of state-owned land is not clear, the rights and responsibilities between the principal and the agent are not clear. The ownership of collective land is abstract and incomplete. As a result, the collective land generally remains in a weak and virtual position.

**2.5.2** Land planning system. Adjustment of urban planning approval has a great flexibility, which provides a space for the rent-seeking power. The adjustments include land area, plot ratio, nature of land use and so on, and such adjustments are often only "internal circulation", and are unknown to the outside.

**2.5.3** Land expropriation system. At present, many group events of farmers and rural areas are resulted from the land expropriation system. This problem includes (i) low resettlement and compensation standard for land expropriation; (ii) not clear purpose and scope of land expropriation; (iii) not strict land expropriation procedure; (iv) lack of authoritative complaint channels and arbitration institutions in the event of dispute of land expropriation.

**2.5.4** Land supply system. At present, the supply of land in China includes paid transfer and free land allocation. For the land allocation, land use organizations can obtain free of charge; for the land obtained from the paid transfer, it is required to pay the granting fee for the government. Since the regulations are vague about procedures and conditions for the land use rights obtained from land allocation and paid transfer, the land that should be transferred in the form of bid invitation, auction and listing system is supplied in the manner of free allocation.

**2.6 Inconsistent land policies between central and local governments** The game between central and local governments has lasted a long time. In numerous illegal cases of land, there is par-

ticipation of local government. In addition to heavy financial burden, local governments have to develop economy to promote the growth of GDP. In this situation, land becomes a major source of government. Local governments like to obtain financial income from land transfer. Thus, when implementing the policies of central government, local governments often take their countermeasures to evade central policies. They connive at land speculation and even play the intangible hand behind the curtain.

**2.7 Unreasonable land allocation system** At present, the land market transaction in China is not transparent, and the allocation of resources is not open, fair and equitable. Many intangible hands behind the curtain lined their pockets, and damaged the national interests, ignoring the state land and working people. Although the Ministry of Land and Resources requires disclosure of the land use, the reinforcement intensity of the system is far from adequate.

## 2.8 Vacancy in unified procedure and standard of land transfer

Information disclosure of land resources is not sufficient. In some areas, the bid invitation, auction and listing system limits the bidder, the operation is not standardized, the agreement is not fully open, some enterprises first hold the shares in the name of investors, to evade taxes and resell, and do not really carry out the land development. The power of land examination and approval is excessively centralized, leading to centralization of land examination and approval power. The development needs land, and the land needs finding the mayor. The power of administrative examination and approval of land is immensely large, and centralized management of land becomes a rule by the voice of one man alone.

## 3 Countermeasures for the management of land corruption in China

The drawbacks of existing land system lead to rampant corruption, while the rampant corruption further enlarges the drawbacks of existing land system, consequently leading to deterioration of the existing system. Therefore, we must learn from the cases of corruption in land anti-corruption and establish a new idea for anti-corruption as soon as possible.

**3.1 Establishing a transparent land market** It is recommended to establish a perfect land market operation mechanism, improve the openness, fairness and transparency of market allocation, and establish a "sunshine land market". Then, land developers and other land users have to find the market rather than the mayor. Besides, it is recommended to accelerate the process of open access to land use. It is recommended to include the land transaction into the track of management in compliance with laws. At the same time of increasing the revenues from state-owned land resources, it is expected to block the conditions for land corruption, and provide more benefits for economic development of all areas.

**3.2 Improving the supervision system and verification system** It is required to implement the most stringent accountability

system and land revenue and expenditure management system. For the examination and approval of land, it is required to adopt system of democratic deliberation and curb the abuse of power using the collective decision-making system. Also, it is recommended to establish a power operation mechanism with reasonable structure, scientific allocation, strict procedure, and effective restriction, to minimize the opportunity of corruption, reduce the corruption benefits, and increase the possibility of investigation of corrupt officials. Besides, it is recommended to establish a favorable mechanism for social supervision and public opinion supervision, and take full advantage of these two major supervision forces, to reinforce the disclosure of corrupt practices in land<sup>[2]</sup>.

**3.3 Combating the corruption taking advantage of the audit system** Audit institutions and discipline inspection and supervision organs, and procuratorial organs should cooperate with each other to audit the land tax and land finance, forming the joint supervision strength and fully reflecting the strength and effect of anti-corruption through the audit system.

It is required to suppress the illegal land use from the system

fundamentally. China remains at the stage of rapid economic development, the process of urbanization is rapid, and the contradiction between farmland protection and economic development is very sharp<sup>[3]</sup>. In this situation, managers of land and resources should be honest and self-contained, better perform the management task of land and resources, ensure land management in an open, fair and equitable environment, and guarantee reasonable use of land and resources, to lay a sound foundation for long-term development of China.

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