10 From welfare benefit to capitalized asset: the re-commodification of residential space in urban China

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Introduction

On the eve of the Communist victory in 1949 urban housing was a privately owned asset. Real estate transactions were highly commercialized and residents from all economic strata viewed residential property and land as commodities that could be traded, sold, rented or sublet for a profit. However, after more than three decades of war, urban housing stock was in disrepair and there was an acute shortage of space. Millions camped on the streets or lived in crowded, make-shift hovels. Thus when the new Communist government nationalized urban land in 1950 (Wang and Murie 1999: 58) and presented a socialist property regime where all new urban housing could only be collectively owned, there was little opposition. The minority who already owned their homes were permitted to continue to hold full title to their residence, but for the overwhelming majority, the Communist victory de-commodified residential space and transformed a private, capitalized asset into a public welfare benefit.

In terms of property rights, the communist revolution had created a system of urban tenancy where public agents held the ultimate rights of use, the rights to all financial gain, and the right to sell or alienate the property. Thus with the exception of a small minority of homeowners, urban residents became renters with limited rights of occupancy and no option to become property owners (Whyte and Parish 1984: 82).[1] In 1978, when the Deng leadership jettisoned most of the Maoist blueprint, they also questioned the ideological foundations of the existing urban housing policy and subsequently launched a series of program innovations that by 1999 had re-commodified and privatized most urban housing stock (Li 2000). However, the route by which urban residential property was re-commodified and privatized did not evolve from a simple master plan. Rather like other components of Chinese market reforms, urban housing policy resembled the more general approach that Chinese leaders have aptly described as 'feeling the stones to cross the river' (ZGFDCB 2000a). Marketization began with piecemeal change in a few selected cities and then stalled or accelerated in response to macro and micro-level financial and political incentives. As expected, such incremental change is highly path dependent. As a result, by the time urban housing stock had been transformed from a public welfare benefit to privately held capitalized assets, the pre-reform cleavages between households headed by officials and managers and those headed by production workers and migrants had become more pronounced.

Research on the impact of Chinese market reforms on income inequality have already documented a similar story. As marketization accelerated during the 1990s and collective assets became more fully capitalized, urban income inequality increased and the wage gap between managerial and blue-collar employees widened (Ding 2000; Ruf 1999; Lin and Chen 1999; Lin and Zhang 1999; Sargason and Zhang 1999). Thus trends in urban China generally refute the optimistic expectations inspired by the first years of rural decollectivization (Nee 1989). Instead as Guo Xiaolin (1999: 84) has noted when quoting Douglass North (1994): 'Institutions are not necessarily or even usually created to be socially efficient; rather they, or at least the formal rules, are created to serve the interests of those with the bargaining power to create new rules.'

Is there any reason to expect that privatization of a public asset such as urban housing would follow a different trajectory or have different consequences? To date most scholars have answered in the negative (Chen and Gao 1993; Khan and Riskin 1998; Mei 1998; Pan and Liu 1994; Rocca 1992; Zhou and Logan 1996). In China some scholars have argued that privatization of urban housing stock may actually be the very *best* example to illustrate how those in positions of workplace authority whether in industrial or not-for-profit enterprises (*shiye*) have reaped a disproportionate share of newly privatized housing stock. For example CASS sociologist Mi Xiaohong (1999) concludes that because market reforms increased managerial autonomy and redistributive control over collective assets, the retreat from socialism gave local level leaders throughout China *unprecedented* freedom to commandeer collective assets for themselves and their relatives. Specifically, Mi (1999) argues that housing reform was an ideal site for cadre abuse because housing reform 'allowed … a safe and secure (*anquan*) location in which to use power for private gain' (*shi yixie ganbu huodele yiquan mousi de anquan kungjian*).

Unlike the asset stripping of productive assets which was clearly illegal, the differential access to newly privatized housing assets was *only* unfair and therefore could proceed with little censure or intervention from officials outside the enterprise. Moreover, urban dwellings in contrast to valuable industrial assets were distributed throughout urban China and could be effectively used or capitalized by any person regardless of age, education, or occupation. For these reasons the re-commodification of urban housing stock offered a more widely distributed opportunity for those in positions of enterprise authority to reap personal gain than asset stripping in a steel smelter or in a workshop of high speed weaving machines.

However, the inequalities of the new urban property regime cannot be explained simply by invoking the now conventional explanation of path dependency. To fully understand the social consequences of re-commodification we need to disaggregate property rights into several constituent parts and then follow the marketization of each component. Previous work on China's success with sub-optimal clarification of property rights in agriculture and industry, for example, have demonstrated the analytic value of distinguishing ownership into rights of use or control, rights of return or income, and rights of alienation or transfer (Putterman 1995; Walder and Oi 1999). In this study of the social consequences of marketization of urban housing stock I use this tripartite division of use, return, and alienation plus a fourth – right of occupancy – to clarify how the several phases of urban housing reform redistributed one of urban China's most valuable assets to the increasing disadvantage of production workers and new rural migrants.

Re-commodification of urban housing: an overview

Within a year of Deng's launch of the Four Modernizations in December 1978, the Chinese leadership ideologically embraced the benefits of commercializing real estate and authorized rent increases, sale of use rights to sitting tenants and the creation of the first real estate development company (Lee 1995: 125; Wang and Murie 1999: 142–3; ZGFDCB 2000b: 7). A year later the first consortium (*jituan*) of real estate developers appeared and overseas Chinese could again purchase full ownership rights to newly built apartments in selected cities (ZGFDCB 2000b: 7; Wang and Murie 1999: 132). Despite these significant departures from communist ideology, in practice, there was almost no immediate impact on the existing urban property regime. Even through the mid-1990s, it remained uncertain whether Chinese urban residents – as opposed to overseas Chinese – would ever have more than occupancy and use rights. In fact, during the 1980s and early 1990s, despite the ideological re-legitimation of private ownership, the most distinctive changes in urban housing were publicly financed building projects that by 1995 had rehoused two thirds of the urban population in collectively owned flats distributed as a workplace welfare benefit (*fuli fang*) (see Table 10.1). Even after marketization intensified during the 1990s, it was only in 1999, that the full bundle of property rights was privatized and commodified. Let me now review in more detail how this uneven re-commodification of the different rights claims created a new urban residential property that benefited both past and current managers in public enterprises.

10.1 Percentage of housing units built in each decade

	Before 1949	*1950s*	*1960s*	*1970s*	*1980s*	*1990–95*
National	7%	4%	6%	16%	46%	20%
Beijing	7%	13%	12%	14%	43%	15%
Shanghai	24%	5%	3%	11%	44%	13%
Tianjin	13%	5%	5%	13%	52%	12%

Source: *1995 Quanguo renkou chouyang diaocha ziliao*, Beijing: Zhongguo renkou tongjichubanshe 1997: 630–2.

1980–1992: legalization of ownership, commodification of land use rights, experiments selling use rights

After 1980, urban China experienced the greatest building boom in Chinese history. By 1992, most non-migrant families had moved into new homes and average per capita living space nearly doubled (ZGTJNJ 1999: 349).[2] However despite a variety of municipal level experiments with selling apartments to sitting tenants (Bian *et al.* 1997: 223–50; Jia 1998; Lau 1994; Lee 1988), more than 80 per cent of all new construction during the first 12 years of housing reforms was rented through workplace benefit programs. The pathway to a new home, therefore, continued to be through enterprise housing offices and those in search of better accommodations remained supplicants rather than customers (Davis 1993: 50–76). Equally noteworthy was that even as the quality and size of residential quarters greatly improved, few urban residents assumed any additional financial burdens and rents continued to average less than 5 per cent of monthly income[3] (Tong and Hays 1996; Lee 1995: 126; Wang and Murie 1999: 137) (see Table 10.2).

Hidden from the view of most urban residents, however, the central and municipal governments were taking steps for full commodification and marketization of urban housing assets. We cannot know if the architects of these shifts during the 1980s explicitly knew that they had laid the foundation for a fundamental shift in the urban property regime, but with hindsight, it appears that these changes created the legal and administrative foundations for the subsequent capitalization of real estate markets after 1998. Most important were legislation to re-commodify land leases and the creation of provident funds and other mortgage instruments that facilitated individual purchases of complete property rights.

Since 1949, the Chinese Communist Party (CCP) had consistently opposed private ownership of land. Within less than a year of their victory, the new central government nationalized all urban land. As a result when urban properties were confiscated or transferred to public ownership, previous owners received compensation for the estimated value of buildings but not for land (Wang and Murie 1999: 56). So rapid and complete was the elimination of a land market that

10.2 Monthly expenditure on rent and utilities

Year	*% on rent*	*% on utilities*
1992	2.1	3.8
1993	2.5	4.1
1994	2.7	4.0
1995	2.9	4.1
1996	3.1	4.5
1997	3.5	5.0

Source: Cheng Siwei (ed.) (1999) Zhongguo Chengzhen Zhufang Gaige, Beijing: Minzu yu Jianshe Chubanshe: 471.

Notes
Because average consumer expenditures were generally less than 90 per cent of consumption expenditures after 1995, the percentage of income spent on housing was even lower than the percentage shown in this table.

the regime effectively made land a non-cost in budgeting for urban construction for the next 40 years. Some scholars have even concluded that as late as 1986 state enterprises and agencies were forced to resort to 'black market transactions' in order to handle the land exchanges between collective owners necessary to realize the ambitious state building programs (Wang and Murie 1999: 126).

In 1986 outsiders finally saw a substantial departure when they learned of the first legal land sale to foreign investors in Shen Zhen. Later that year the State Council established a new State Land Administration Bureau (Li 1999). Clearly, Beijing was evaluating the best means to monetize land values and establish new institutions for land exchange and sales. The next obvious steps toward further marketization came two years later when the National People's Congress (NPC) amended the constitution to allow transfer of land use rights (LURs) and revised the 1986 Land Management Law to allow paid transfer of LURs. The major turning point came after a 1990 ordinance allowed cities to sell long term leaseholds by negotiation, tender, or auction and to retain 60 per cent of the profit[4] (Wang and Murie 1999: 127–8). Over the decade of the 1990s, a wide range of new legal and financial procedures further routinized sales of LURs. But even as early as 1992 the floodgates had opened and sales in that one year were eleven times greater than those in 1991 (Chen 1998).

Creation of new financial instruments that would facilitate individual borrowing and purchase of market rate housing complemented the changes in land policy. Several large cities created new financial institutions to facilitate individual purchases (China Daily 7 January 1991: 1; Beijing Review 17 January 1991; RMRB 26 May 1991: 8; RMRB 1 January 1992: 2). Shanghai under the leadership of Zhu Rongji led the way by establishing the first provident fund for home purchases in May 1991. Guangzhou followed in April 1992 (Lau 1994).

1993–7: marketization and an emergent property regime

In November 1993, the third National Housing Reform pressed for a faster pace of commodification and in July 1994 the State Council outlined procedures for selling off public rental flats to sitting tenants throughout the entire country (Mi 1999; Wang and Murie 1999: 158). The official goal for 2000 was for 60–70 per cent of urban couples to have purchased a self-contained flat of 56 square meters at a price equal to five times their combined yearly income. New owners would purchase use rights in perpetuity, could bequeath ownership to others, and use the property as collateral for loans. After five years of owning the use rights, they would obtain full title to the property with the right to sell. However, if put up for sale, the public or state agency that had originally owned the building, retained the right to buy the home back at its original price or (alternatively) share in a portion of any profits. After 2000, only impoverished non-migrant households would be eligible to rent subsidized, public housing (Wang and Murie 1999: 158).

In February 1995 the State Council launched the *Anju Gongcheng* program that – among other initiatives – called for mandatory contributions to housing provident funds as a primary means to promote home ownership of self-contained flats among low and middle income families (GWYGB 1995: 70–3). Subsequent banking reforms to develop mortgage and loan instruments further strengthened the financial and legal infrastructure for popularizing home ownership (GWYGB 1997: 810–15 and 1412–17).

Nevertheless, despite these measures from local and central governments to increase the levels of home ownership, the majority of urban residents remained public tenants who enjoyed low cost and secure use-rights to their greatly improved residential space. In 1997 rents averaged less than 4 per cent of household income (Li 1998; ZGTJNJ 1998: 328–9) and only a third of residents held some form of title to their homes, a mere gain of 10 per cent over ownership levels of 1983 (Mi 1999; Davis 1993).

1998–9: full capitalization and a windfall to sitting tenants

Finally in 1998, came the decisive break with past practice. In the spring Zhu Rongji spoke repeatedly in favor of full commercialization and in July the State Council promulgated Circular No. 23 that announced as of December 1998 no enterprise would be allowed to sell employees' housing below construction costs. Within six months, market rates were to prevail and except for a small minority of families in economic difficulty, there would no longer be any welfare housing (*fuli fang*) in Chinese cities (GWYGB 1998: 679–82). Thus in one abrupt pronouncement the central government abandoned all ideological reservations they may have had to full scale privatization and attention shifted to accelerating the number of urban residents with full ownership rights across the entire nation.[5]

As one would expect, the old system of welfare housing did not entirely disappear on 31 December 1998. Below-cost 'fire sales' to sitting tenants continued, as did pre-construction 'distributions' to employees who had never purchased a home and to those employers deemed eligible for additional upgrades. Nevertheless the main story for 1998–9 was a fundamental break with past practice of the central government and widespread enthusiasm among residents to enter the housing market. Thus for example a Gallup poll in fall 1998 reported that 18 per cent of respondents in Chengdu, 16 per cent in Beijing and Guangzhou, and 15 per cent in Shanghai planned to buy a home within the next 12 months (Miller 1999). A spring 1999 survey in Guangzhou, Xian, and Wuhan indicated that 25 per cent expected to purchase a home in 1999. Results from two surveys at the end of 1999 suggested that in metropolitan China, home ownership had become the norm. One survey of the fourteen largest cities in December 1999 reported that 72 per cent of all (non migrant) households reported some type of ownership.[6] Another done in Beijing, Shanghai, Guangzhou, Chengdu, Wuhan, and Xian reported that among those earning 2,000 RMB per month, 70 per cent expected to purchase in the next year if they had not already done so. Even 35 per cent of those who earned 500 RMB or less per month had similar expectations (China Daily 2000).

Over the course of 1999, policies to legalize the resale of the recently sold public flats and expand the role of commercial banks in underwriting individual loans completed the process of commodification.[7] Most critical to this final stage toward full capitalization were the Temporary Procedures (No. 69) issued by the Ministry of Construction on how to deal with the resale of the collectively owned flats (*gongfang*) and low cost housing (*jingji shiyong zhoufang*) that had been sold to sitting tenants at highly subsidized prices. Signed on 22 April, these procedures went into effect 1 May (GWYGB 1999: 1005–8). Henceforth anyone who held full rights to their home, regardless if they had purchased the home privately or through a subsidized sale of their original *gongfang*, had the right to sell the property and to retain all after-tax profits.

In fact owners of *gongfang* had been selling their occupancy and use rights for several years, but May 1999 marked the point at which the central government fully legitimated privatization of this former public good on a nationwide scale and thereby commodified rights of transfer or alienation. By December 1999 the government announced that 70 per cent of all new housing had been sold directly to individuals rather than to municipal housing offices or state enterprises, that and that half of all cities had lively second hand markets for the individual sale of former *gongfang* (ZGFDCB 2000c). Nationwide only 40 per cent of the publicly built flats continued as rentals, and in many places – for example the city of Chongqing and the Provinces of Zhejiang and Guangxi – less than 20 per cent of urban *gongfang* remained as collective property (ZGFDCB 2000c).

As a result of these policy shifts of 1998 and 1999, the old system of welfare housing became defunct. Subsidized sales continued in some cities through the summer of 2000, but by December 1999 the bulk of urban housing stock had become fully capitalized, alienable individual assets (Li 2000; ZGFDCB 2000d).[8]

Urban housing reform and emergence of new urban property rights regime

From the early 1980s through the late 1980s, urban China had a dual track property system. On Track I were those who had purchased their homes before 1949 or those who had purchased commercially built homes after 1980. In Chinese documents these owners were considered to hold 'complete property rights' (*quanquan*). This meant that they had the right of occupancy, the right to extract financial benefits, the right to dispose through resale and the right to bequeath it to others.

On Track II were those who had purchased their homes after 1983 at heavily discounted rates from the housing stock owned by their employer or municipality. Initially these Track II owners did not have 'complete property rights' but only the use-rights (*shiyong quan*). Initially they could neither rent nor sell it to anyone but the original seller. They could, however, bequeath the home to their heirs. As reforms progressed, those on Track II were promised full property rights after five years and told they would have full discretion both to rent or sell their apartment. However, the conditions by which any profits would be retained usually required payment to the original seller and/or right of first refusal. Purchase of use-rights therefore gave sitting-tenants the possibility of reaping financial gain through future sales and guaranteed that the property could be passed on to any heirs designated by the owner. As explained in the popular press, urban residents could now purchase *rights of occupancy*, *rights of use*, *partial rights to extract benefits*, and *partial rights of disposal*.[9]

The State Council's July 1998 circular ended the treatment of urban housing as a de-commodified welfare benefit. The 1999 reforms legitimating the re-sale of the recently privatized collective assets clarified the rights to extract benefits or to alienate. Therefore in terms of legal reform, as of May 1999 a new private property regime had replaced the partially privatized system of the late eighties and early nineties. Henceforth all who had bought occupancy and use-rights to their former *gongfang* could purchase the rights of income and transfer. Once these rights were purchased the owners could then sell their apartment and put 95 per cent of the sale price toward a down payment or purchase of a flat with the full bundle of property rights.

These policies of 1998 and 1999 ended the dual track ownership system of the earlier reform era and potentially put all owners of urban housing on the same legal footing. In practice many who had only bought – or only been eligible to buy – the cheaper and less complete use-rights chose not to immediately become full owners. And some who enjoyed spacious apartments at very low rents continued to stay out of the market. As a result, the domestic property regime of 2000 is best described as segmented into four groups: (1) owners with full ownership rights, (2) owners with only occupancy and use-rights, (3) renters with long-term occupancy rights who rent public quarters, and (4) renters with only short term occupancy rights who rent on the private market (Zhongguo Xiuxi Bao 19 January 2000: 1).[10]

In terms of bundles of property rights, one can identify a clear hierarchy of tenancy and ownership that reflects privileges from the pre-reform era as well as favorable conditions at the time of purchase. At the top of the hierarchy are those who owned their homes in 1949 or have purchased full property rights (*quanquan*). At the end of 1999 approximately 40 per cent of non-migrant residents fell into this category. A year later as a result of the new availability of loans, I would estimate that 60 per cent of non-migrants have purchased full property rights and that half of those without full rights will secure them in their life times. Given that official surveys disregard the tens of millions of urban residents who have recently emigrated from rural villages and now constitute between 20 per cent and 30 per cent of the urban population, I would estimate that as of December 2000 slightly less than half of all urban residents held the full bundle of property rights if we include both migrant and non-migrant households.

The second position in the hierarchy of tenancy is held by those that have purchased use-rights. They control their living space and in some cases can legally rent out all or part of their residence. They can also bequeath these rights to their heirs. At the end of 1999 approximately 32 per cent of non-migrant residents fell into this category. However, as a result of easier access to long term loans, over supply of empty flats, and fears of real estate inflation in 2000, I would estimate that by December 2000 the percentage of non-migrants in this category fell to less than 20 per cent. If one includes migrants, the percentage falls to approximately 12.5 per cent of all urban households.

At the bottom of the tenancy hierarchy are those who rent. In general they have no property rights; however, those holding certificates of permanent urban residency (i.e. urban *hukou*) who rent collectively owned flats through their employer or the city real estate bureau do have long-term rights of occupancy and in some cases also have first right to purchase if their rental unit goes on sale (Minzuyu Fazhi 2000). By contrast those renting on the market have only short-term right of occupancy. At the end of 1999 approximately 23 per cent of non-migrants were still renting collectively owned apartments and 95 per cent of migrants and 4 per cent of non-migrants were renting on the market. Twelve months later I would estimate that the percentage renting collectively owned flats fell, while the percentage renting on the market did not change. Thus if we include all residents, regardless of their migrant status, approximately 37.5 per cent of all urban households remained renters as of December 2000.

Winners and losers in the new urban property regime

When one goes beyond general survey results and turns to individual housing histories, one can see how incremental, enterprise controlled extension of property rights exacerbated pre-reform inequalities by favoring managerial cadres over production workers. One reason, as Mi Xiaohong and Guo Xiaolin have noted was that during the extenuated process of commodification, managerial staff both designed and implemented the subsidized sales of collective property. They selected the properties to be sold and decided on the prices. Thus through December 1997 when most urban housing – new and old – was still distributed or sold through bureaucratic channels controlled by enterprise leaders or government officials, production workers were least able to shape how public assets would be distributed to private hands.

Since January 1998 I have visited more than 100 homes in Shanghai and Shenzhen to interview residents about the housing conditions of their family. During these interviews, all of which took place in the homes of the respondents, I have been able to have broad ranging discussions about the route individuals followed to establish the current tenancy as well as plans they had for relocating or making a home purchase in the near future. Particularly revealing were 25 home interviews I did in Shanghai in the twelve months after Guofa No. 23 required that all but the very poor pay market prices for new housing. I will now draw on these interviews to explain how the incremental and unevenly paced processes of partial commodification followed by abrupt capitalization in 1999 worked to the disadvantage of households headed by men in blue-collar jobs.

Among these 25 households, 13 managers and 2 blue-collar workers had purchased some form of ownership. However, in all but one case – a salesman from Anhui who went to work for a US Joint Venture – they purchased their home with substantial assistance from their employers. Equally noteworthy were the situations of the five professionals and managers who still rented. In each case the family had decided to keep renting because the husband had not yet worked out the best bargain with his employer. The three managers lived in spacious homes that they rented from their employer, but before they took advantage of buying the use-rights of their *gongfang* they were holding out for more space in an equally good location. The two professionals, a doctor in his mid-thirties and a magazine editor of 50 lived in more crowded, lower quality flats. But they too had decided against purchasing new apartments subsidized by their units because they preferred the location of their current rentals in the center of the city. The doctor, who was renting a room in the large garden apartment that his wife's grandfather had once owned, was struggling (along with his wife, father-in-law, mother-in-law and brother-in-law) to have a city real estate bureau relocate a retired municipal official who had been housed in their home during the Cultural Revolution. Once this non-family member had moved out, the family would then be able to re-purchase their home at a heavily discounted price and both his unit and his wife's unit would be involved in calculating the amount of discount based on their rank and years of service.

By contrast only two of the seven households headed by a manual worker were owners. One had bought the use-rights to a 26 square meter flat in 1994 for 10,000 *yuan*. As a three-generation household of five they felt cramped in the two small rooms, but because the husband's employer was in economic distress, the wife had retired, and both their son and daughter-in-law were working partial shifts, they had given up planning another purchase. Instead the mother spoke most hopefully about her married daughter who lived with her in-laws, husband, and teenage daughter in an old cottage which the city had 'promised' to condemn. After the city demolished the cottage, the city would then allocate them two new rental units. The daughter and her husband were unlikely to be able to afford the new market value of the use-rights, but at least their housing problems would be solved.

The second worker who had been able to purchase her home also had been forced to give up an earlier plan to improve the family's accommodation. In earlier conversations in 1995 and 1997 she had told me that they were waiting for her husband's employer to offer them a new flat, to which they would then purchase the use-rights by transferring occupancy rights to their two room flat and a room they had rented for their children in another district. However, after the husband retired, they lost their chance for help from his enterprise and simply bought the use-rights of their current home for 9,000 *yuan* in 1999.

Interviews with five other blue-collar workers who still rented in July 1999, revealed similar limitations. None of these men and women looked to their employer to upgrade their housing situation and all said their only hope was if their current residence were slated for demolition by the city. Four of these five families lived in self-contained apartments built in working class neighborhoods during the early 1980s. By 1999 the interiors were shabby and parents and adolescent children shared one room. Three spoke bitterly of their decision to move to their current apartments claiming that if they had remained in their old cottage or tenement instead of moving in the early 1980s, they would now be better compensated when the hovel was condemned. And in fact, the one working class family who rented a new spacious apartment was precisely an example of a family that had not been relocated in the first wave of demolition. Not incidentally, the reason they had been able to hold out for the better apartment was that the original home in the city center had been in a better neighborhood. Thus because they initially had superior accommodation they were later rewarded more generously when the city did claim the family's home.

Disparities in family resources also reinforced the disadvantage production workers had in the workplace. For example when white-collar respondents described how they planned to upgrade their housing conditions, they cited family as well as employer resources as part of their strategy. Ten of the eighteen managers and professionals mentioned homes other than their current residence on which they had full or partial occupancy or use-rights. Moreover, two had been able to have their employers subsidize new home purchases without having to move other family members out of the original apartment which the unit had earlier rented or sold to them. By contrast none of the working class households had additional property claims nor were they able to get their employers to advance them new resources unless they renounced all claims on their current residence. Instead, several even looked enviously at their siblings who had remained in the family's hovel into the 1990s and berated themselves for having been so 'unlucky' as to have been allowed to relocate in the 1980s.

Thus whether professionals and managers were describing to me their current or past housing situations, it became clear that the majority could claim housing assets beyond their immediate need. As a result, even when they were renting they had the option of treating housing resources as a tradeable asset, and when housing became a fully capitalized asset they reaped substantial financial gain. By contrast, no working class respondent had rights to anything other than their current residence and because they did not receive the same upgrading of residential space during the first phase of reforms as did managerial staff, even when they could afford to purchase full property rights, their property was of substantially less market value.

In the early phases of reform, when city dwellers behaved as supplicants importuning enterprise housing authorities to improve their living conditions, need and seniority were as important as occupational status in determining which households were rehoused. As a result the new housing distributed during the 1980s did not immediately advantage white-collar over blue-collar families. But starting with the early sales of use-rights in 1993, working class families began to fall behind their better-paid white-collar neighbors who outranked them in the workplace. First the cost of purchasing use-rights imposed a relatively heavier financial burden, and second as the reforms accelerated manual workers became less able to make multiple claims on enterprise assets or bargain for larger discounts on purchase price (Lee 1999). In the mid-1990s managers and professionals – but not workers – could negotiate with their employers to upgrade their housing. Then when it became possible in 1999 to fully capitalize the use-rights, managers and professionals found themselves in possession of more valuable, better quality homes.

Conclusion

By the end of the 1990s housing reforms had commercialized a substantial share of urban real estate and popularized the ideal of home ownership. But despite the language of market exchange most buyers had paid less than 15 per cent of market value (China News Analysis 1998). Moreover the wealthier the family the higher the absolute value of the subsidies. Khan and Riskin (1998) have even estimated that as of 1995 the richest 10 per cent owned 60 per cent of private housing assets and a similar estimate has been made for the late 1990s.[11]

Overall among long time urban residents – as opposed to the rural majority or new migrants to the city – home ownership had been made possible through both intensive and extensive bureaucratic intervention. Nevertheless by routinizing the expectation of home ownership among city dwellers and by creating a national system for privatizing publicly built housing, the reforms of the late 1990s created a fundamental break with the social welfare property regime that had prevailed in China's cities between 1956 and 1989. In short the partial re-commodification – even when dependent on massive state spending – served as a catalyst for granting urban residents the full range of property rights over domestic space.

The process by which this commodification was achieved, however, discriminated against blue-collar employees. Moreover materials collected on urban China after 1996 suggest that the inequities increased as marketization accelerated. Thus while early reforms had the potential to create a more transparent and universal metric that could benefit all residents, later reforms to capitalize housing stock as a personal asset favored managerial and professional staff. As a result privatization of this former welfare benefit laid the foundation for residential segregation by economic class and undermined the relative equality of lifestyle that had prevailed in earlier years.

While less heated than the debate over consequences of the privatization of the means of production or the commodification of labor, scholars have disagreed about the consequences of privatizing a consumer good like housing. For example Peter Marcuse (1996) presumed that the logic of property rights for consumer items, and specifically for housing, differed from that for means of production. Szelenyi and Kostello (1996) by contrast concluded that the key to understanding the trajectory of the new property rights regime is not whether reform privatizes consumption or production but rather the extent and timing of the marketization. When market reforms are local, everyone benefits, but when the markets penetrate so deeply and widely that capital accumulation becomes possible then former cadres and current managers gain disproportionately. The material presented here suggests that in urban China, as in Eastern Europe, capitalization and the legitimization of the rights of alienation are the critical steps for creating a domestic property regime where blue-collar workers with little authority in the workplace are systematically less successful than managers and professionals in gaining title to the most valuable welfare good of the previous public goods regime.

Notes

1 As opposed to rural China where villagers could own and sell their homes throughout the Communist era, in urban China the percentage of owners fell steadily until it stabilized at about 15 per cent in the late 1970s.

2 In 1980 urban households averaged 3.9 square meters per capita; by 1992 they averaged 6.9 square meters.
3 In 1985 a newly created Office of Housing Reform under the State Council advocated selling off use-rights to sitting tenants in 160 large cities and 300 medium sized towns, and in 1986 Zhao Ziyang advocated market rates. In February 1988 the first National Urban Housing Reform Conference endorsed a plan to raise rents and make their ultimate goal full commercialization (*shangpin hua*) of urban housing stock. Subsequently the Ministry of Construction, which had become the key administrative actor for urban housing reform, issued detailed regulations for property exchange among individuals and businesses.
4 The ordinance allowed cities to sell leases of 40 years to those who would build for commercial use, 50 years for educational use, and 70 years for residential. Forty per cent of the income went to the central government, 60 per cent to the city. Soon after foreign real estate investors were encouraged to go beyond modest partnerships and capital from outside China began to have a major impact on the quality and quantity of urban construction (Wu 1992: 198).
5 For example, in 1996 53 per cent of newly built housing space was sold to individuals, both foreigners and citizens. But more than half of those individual purchases were in Guangdong (23 per cent), Shanghai (10 per cent), Jiangsu (9.5 per cent), and Zhejiang (8.7 per cent) (Mei 1998).
6 The survey reported that 39.8 per cent of respondents had full ownership (*suoyouquan*) and 32.1 per cent had ownership of use-rights (*suoyong quan*). Another 4 per cent rented privately and thus less than 25 per cent of respondents still rented dormitories (*sushe*) from the city or their employers (Zhongguo Xinxi Bao 19 January 2000: 1).
7 First the central government issued a series of documents that took housing reform to the next level by elaborating financial instruments that supported twenty year home mortgages and clarified the rules for capitalization of use-rights through resale. Document No. 43 of the Construction Ministry addressed a range of practical problems encountered by individuals in selling their former *gongfang* and also reiterated the need to end all discounts after January 2000. Between February and April there were a variety of decrees from the central government to facilitate home mortgages. In February Banking Bill No. 73 announced that qualified borrowers could henceforth take out mortgages equal to 80 per cent of the sale price. In March State Council Decree No. 262 issued new guidelines on creating and withdrawing deposits from Provident Funds and in April Banking Bill No. 129 announced that new guidelines for handling loans for building low cost housing would be in effect immediately (GWYGB 1999: 310–11, 268–71 and 852–4).
8 By December 1999, a State Statistical Survey of 150,000 urban residents reported that nearly 70 per cent of urban households held individual property rights (*geren soyou quan*). We of course need to note that the 15–25 per cent of the urban population who were migrants still registered in their home villages and fell outside these surveys. But because the majority of these migrants rented housing at market rates, if one added migrants to the totals, the percentage of owners would fall but the percentage of those purchasing residential space on the market rather than drawing work place benefits would rise.
9 These four rights were already circulating on the advertising pages of *Xinmin Wanbao* in February 1998.
10 A survey in China's 14 largest cities in fall 1999, reported that 72 per cent of households now hold some form of ownership and the most typical (40 per cent) situation is to hold full property rights. Next most frequent (32 per cent) are those who have purchased hold use-rights, while 23 per cent still rent public housing and 4 per cent rent from private landlords.
11 The same point, but with different data, has been made by Wang and Murie 1999: 170–201 and Chen 1999.

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