Planning centrality, market instruments: Governing Chinese urban transformation under state entrepreneurialism

Fulong Wu
University College London, UK

Abstract
This article defines the key parameters of ‘state entrepreneurialism’ as a governance form that combines planning centrality and market instruments, and interprets how these two seemingly contradictory tendencies are made coherent in the political economic structures of post-reform China. Through examining urban regeneration programmes (in particular ‘three olds regeneration’, sanjiu gaizao), the development of suburban new towns and the reconstruction of the countryside, the article details institutional configurations that make the Chinese case different from a neoliberal growth machine. The contradiction of these tendencies gives room to urban residents and migrants to develop their agencies and their own spaces, and creates informalities in Chinese urban transformation.

Keywords
China, planning, urban entrepreneurialism, urban governance, urban transformation

Introduction: Understanding Chinese urban governance
Understanding Chinese urban governance requires an appropriate reading of the

Received February 2017; accepted April 2017

Corresponding author:
Fulong Wu, Bartlett School of Planning, University College London, Central House, 14 Upper Woburn Place, London, WC1H 0NN, UK.
Email: fulong.wu@ucl.ac.uk
A powerful paradigm is neoliberalism, which describes the retreat of the state from social provision and the dominance of market exchanges (Harvey, 2005). The framework of the ‘urban process’ under capitalism proposed by Harvey (1978) offers a structural explanation of capital accumulation and the consequential state role. His seminal thesis of ‘urban entrepreneurialism’ (Harvey, 1989) explains the transformation of urban governance from managerialism to entrepreneurialism in advanced Western market economies. The subsequent operationalisation of the thesis into the ‘entrepreneurial city’ (Jessop and Sum, 2000) has led to its application to China (Chien, 2013; He and Wu, 2009; Shin, 2009; Walker and Buck, 2007; Wu, 2003), though there is scepticism about neoliberalism as an appropriate perspective (Le Galès, 2016; Ong, 2007). To understand specifically how urban entrepreneurialism emerges, the changing role of the state in governing urban transformation should be contextualised with appropriate attention to particular institutional settings.

In China, due to fiscal decentralisation and greater local autonomy in the 1980s and early 1990s, local officials began to behave in ways that sought revenue maximisation. ‘Local state corporatism’ was a thesis to describe rural cadres’ engagement in the business of township and village enterprises (TVEs) (Oi, 1992). They played a dual role of state officials and business people. In urban areas, the introduction of a real estate market led to exploitation of market opportunities (Duckett, 2001). The fiscal responsibility of local government was strengthened with greater local decision-making autonomy, which turned local governments into organisations similar to industrial firms (Walder, 1995). More precisely, China’s emergent city-region governance can be appropriately understood as a state-orchestrated rescaling process (Wu, 2016c).

Through institutional reform, the state apparatus, in particular the local state, demonstrates a greater interest in introducing, developing and deploying market instruments and engages in market-like entrepreneurial activities. Thus, I define this state engagement with the market and its entrepreneurial role in this article as ‘state entrepreneurialism’.

Regarding the emergence of entrepreneur-like behaviours in China, there are two different explanations. First, the behavioural explanation stresses GDP-ism. The thesis of the ‘GDP tournament’ emphasises that local political leaders compete over targets for GDP growth set by the central government in order to gain career promotion (Li and Zhou, 2005). GDP growth can be seen as an ‘achievement in office’, which is a major criterion for cadre performance evaluation.

Secondly, the structural explanation stresses the dynamics of land revenue generation (Tao et al., 2010) to meet the demands of local public expenditure (Su et al., 2012). Due to the particular political economic system (tax-sharing and land institutions), local governments have faced an increasing gap between income and expenditure. They have not been allowed to issue municipal bonds until recently in some experimental cities and have had to use land development to generate extra-budgetary revenues. Through encouraging industrial development and its spill-over effects to generate higher commercial and residential land values, local governments use their monopolistic control over the supply of land to capture land values. This mechanism creates an institution similar to the growth machine in which local political leaders, city planners and media join land owners to boost land value (He and Wu, 2005; Hsing, 2010; Lin, 2014; Zhu, 1999). Through promoting land development, the local state as de facto land owner uses land as collateral to gain capital from the banking system so as to finance long-term economic development. In essence, the
use of land development converts short-term income from land sales into long-term taxes from businesses.

The behavioural explanation based on cadre evaluation and promotion goes beyond machine politics and opens up the possibility of examining actual politics. However, economic achievement is only one of many considerations in career advancement. Alignment with central government policies or political factions might be another important factor. The focus on GDP-ism is thus too narrow. The structural explanation stresses land revenue maximisation as the key motivation for urban development. But again, the actual operation of government may not be confined to short-term revenues and may be more strategic, going beyond land income, for example, to industrial upgrading and alignment with central government policies.

In short, local development and politics may not be limited to the growth machine and machine politics but may include the need to maintain state power. There are also complex interactions between different levels of government. The central government still maintains its power by giving preferential policies to local governments, endorsing exemptions, appointing local leaders and exerting hierarchical control via government policies (Chien, 2013), while local government can deliberately maintain discretion through state-sanctioned informality and informal practices exempted from central control.

Now, to combine these two streams of explanation, it is useful to relate entrepreneurial governance to the Chinese development model. The foundation of Chinese state entrepreneurialism is its economic development model of the ‘world factory’. The model is characterised by a close association between local urban development and the global economy. Using relatively lower prices of land and labour costs, Chinese cities developed industrial capacities. Through re-engineering local governance, an entrepreneurial local state ensures the supply of low-cost land for industrial activities. In turn, the supply attracts investment and rural migrant workers. Foreign investment has been a major source of capital, in addition to a high rate of domestic saving. This development model is supported by a particular mode of governance which requires the state’s capacity in land supply (through its monopolistic position in land acquisition for land sales) as well as exclusion of rural migrants from social provision and maintenance of their status as guest workers. The social reproduction of migrant workers is entirely left to the market. In the management of the production factors of both land and labour, the role of the state is visible. Through labour management, costs have been maintained at a low level, lagging behind the pace of economic development. Because of this constraint, the labour force does not constitute an effective domestic demand. This is a departure from the mass production and mass consumption of Keynesian capitalist economies, because the model of economic development relies on overseas markets for expansion of its capital accumulation. The model also heavily relies on investment in fixed assets and infrastructure. Infrastructure development is reliant upon the mechanism of land value capture. Local governments have strong incentives to acquire rural land in order to set up various development zones (Hsing, 2010). The spatial consequence of this development model is a scattered pattern of development and the wide spread of ‘informal settlements’ that provide housing for rural migrants. While industrial parks use land lavishly, to maximise land revenue local governments increasingly encourage compact and mixed-use developments such as new towns to capture commercial and residential land value.
Governing urban regeneration

The transformation of urban governance can be reflected through the process of urban redevelopment (He and Wu, 2009; Shin, 2009). Sanjiu redevelopment, or literally redevelopment of ‘three old types’ of land (old villages, old urban areas and old factories) originated from the changing governance of land redevelopment. Since 2004, the central government has strengthened land management and required that all developable land should be released through open auction in a transparent land market. To protect agricultural land, the central government allocates land development quotas to local governments (Lin, 2014; Tian et al., 2017). These policies have slowed down the pace of land acquisition and urban sprawl that started in the 1990s. For Guangdong as a more developed province, the lack of developable land became a constraint to its economic growth. To overcome this land constraint, its former party leader, Wang Yang, negotiated a special deal with the Ministry of Land and Resources (MLR). This policy exempted Guangdong from land auction for brown development, i.e. three old types of land. These developments do not require land development quotas because they do not occupy agricultural land. Moreover, the policy of sanjiu allowed local governments in Guangdong to designate sanjiu sites and give the development rights to de facto land users (residents or villagers) to redevelop the land by themselves without going through an open land auction, because local governments lacked the funding to acquire the land and there was resistance among villagers to redevelopment.

For a long time, the municipal government of Guangzhou as well as other cities in Guangdong failed to redevelop their urban villages, because redevelopment was costly. In Guangzhou, 138 urban villages were identified but remained undeveloped. The programme of sanjiu is thus an institutional innovation to introduce a new method of land governance to urban regeneration. That is, the central government exempts local governments from an existing regulation of land management. Through the decentralisation of power to existing land users, villagers or de facto owners organise redevelopment themselves. Hence, it is argued that a fragmented authoritarian model might fit its governance better (Li and Liu, 2017, this issue).

To achieve the goal of development, the local state has to relax planning controls and forgo land profits. In Shenzhen, sites of sanjiu may be rezoned to create additional public space or land for public facilities. In general, sites of sanjiu redevelopment are divided into three parts: the first is for in situ rehousing of villagers; the second is given to developers who contribute to project finance; and the third is kept as village collective assets. The land given to developers has fully delineable property rights. That is, the properties developed on the land can be transacted in the real estate market. However, the land assigned to village collectives still remains rural, collectively owned land. But the village collective is allowed to develop the land for industrial and commercial uses. This type of development contravenes the regulation that all developments should be based on land that is ‘commoditised’ (sold in the open land market), to allow the municipal government to control its supply. In the village of Liede, for example, a modern hotel is being built on this assigned land. Although its appearance may be quite modern, the hotel is strictly speaking an informal development sanctioned by the state.

Although sanjiu projects are developed by ‘communities’, projects need the approval of the sanjiu office. They require complex plot ratio calculations to generate sufficient funds for redevelopment and compensation to villagers, which often requires raising development intensity above the level defined by an
existing land use plan. The sanjiu office needs to revise zoning maps and approve the change in development intensity and uses. To fund the project, the state has to mobilise social resources, including villagers, to participate in the process of regeneration. The task of regeneration thus creates a complex issue of governance: how to reach consensus and how to distribute benefits. Pre-existing social organisations – village clans and rural collectives built upon the clans – help to reach a consensus for redevelopment. Hence the pre-existing local social structure plays a pivotal role. The stronger the local organisation, the more powerfully villagers can negotiate and capture the benefits of redevelopment. Tangible benefits secured by the village organisation further strengthen the self-organisation of villagers.

The widely mentioned redevelopment case, Liede, is an unusual one because of its timing and the outcome of redevelopment. The village of Liede is on the route to the site of the Asian Games organised by Guangzhou in 2010. Therefore, it was an urgent task for Guangzhou to renovate the informal settlement. The municipal government had to give up land profits to modernise the built environment (Wu et al., 2013). The development of Liede was initially not for generating land profit for the municipal government, although the village has made a lot of profit for itself. Similarly, in Shanghai, Gaojiabang has been demolished and redeveloped into an office park. The purpose of redevelopment is also more strategic and goes beyond gentrification and land value appreciation. The redevelopment is intended to develop higher value-added industries in globalising Shanghai (Wu, 2016b). These redevelopment projects have greater ambitions beyond a growth machine. The growth machine thesis stresses common interests based on the appreciation of the exchange value of land, while these redevelopment projects use the land market to achieve wider goals.

The sanjiu financial model requires an approach of wholesale demolition. The governance approach allows the participation of villagers in redevelopment and sharing of the benefits. This reflects a new mode of governance as state entrepreneurialism rather than direct command from an authoritarian state. Although the landscape has been entirely transformed and modernised, the governance of the village collective is preserved. Through redevelopment, a new informality has been introduced, as shown in the modern hotel at Liede as a state-sanctioned informal development (Wu et al., 2013).

However, the quick release of developable land through urban regeneration compromised the endeavour to generate land revenue. After the Asian Games, Guangzhou carried a heavy financial burden for its investment in infrastructure. Guangzhou announced the development of several new towns, each acting as a ‘local capital mobilisation and investment platform’ (a state-owned enterprise) in order to generate more capital. To control the overall pace of land supply, the programme of sanjiu regeneration halted, because land made available by sanjiu redevelopment is located in central locations and competes with other projects in peri-urban or suburban areas which may generate land revenue for the local governments.

Sanjiu projects illustrate the centrality of planning in the governance of Chinese urban transformation. The regeneration programme is a carefully chosen strategy to realise a long-term vision and achieve a more strategic goal of economic development. It aims to cope with the constraint on land supply imposed by central government policy. The formation of sanjiu policies involves policy coordination between central and local government, exemption from central government policy in designated sanjiu sites, bargaining between local state and villagers and a coalition between villagers and developers as development agencies. Rather than a
‘non-intervention approach’, the redevelopment of urban villages is subject to guidance from the state, in particular from the *sanjiu* office that approves the list of qualified villages for redevelopment and modifies land use plans in order to accommodate increased development intensity.

Governing urban regeneration includes the use of market instruments to generate profit to rehouse villagers and compensate their interests. However, this is not a pure property transaction process that leads to gentrification. For villagers and their leaders, such a project is indeed a chance to increase the exchange value of their assets. But the overall objective of *sanjiu* is not profit. Rather, it brings a new opportunity to modernise the built environment, open up a new space to expand capital accumulation and sustain investment rather than maximising land revenue. Behind the scenes there is intense bargaining and negotiation between the state, the market and society. The policy requires ‘institutional innovation’, that is, doing things differently. In fact, the government has to give up land income in order to make the project financially viable. Although urban villages, as a prosperous informal rental market, experience the absence of the state, their regeneration reflects a new mode of governance that uses market instruments but at the same time maintains planning centrality.

**Governing suburban mega urban projects**

Chinese urban transformation is characterised by rapid urban expansion and the development of new towns (Hsing, 2010; Shen and Wu, 2013). University towns are a particular type of new town, building upon educational uses and university campuses. Their popularity with state entrepreneurialism needs to be understood with reference to particular local institutions. First, in the 2000s China began to see the impact of economic restructuring and realise the importance of science and technology. Universities were allowed to significantly expand their student recruitment. Secondly, educational land uses were exempted from compulsory land auction which had been introduced since 2004. Local governments were enthusiastic about expanding educational uses. Thirdly, large Chinese cities had entered a period of rapid urban expansion and soon faced tighter land management by the central government. A compact form of suburban development was encouraged. But the suburbs were largely underdeveloped or scattered with urban sprawl. In order to increase the attractiveness of the suburbs, the local government released suburban land cheaply to universities which were allowed to borrow development funds based on their projected student recruitment numbers. The development of suburban university campuses did not add a financial burden to the local state. Fourthly, through the development of university campuses, the suburban new town could attract more residents to justify the development of infrastructure and services. The development of university campuses thus became an effective way to stimulate initial suburbanisation. Lastly, most university towns are located in the suburbs. As greenfield developments, these can be master-planned to achieve an instant landscaping effect.

Applying a modernist approach, the scale of university towns is usually too grand and lacks an urban atmosphere. They are not accessible and lack walkability. Although the rationale of developing common facilities for different universities is plausible, in reality the development lacks coordination. Staff and students do not manage to socialise beyond their individual campuses. University towns are built more like a development zone rather than an urban area, lacking social interaction and services.
In essence, university towns are mega urban projects, just like other major infrastructure developments, for example transport hubs (Jiang et al., 2016). In this case, university towns are not a product of a post-Fordist knowledge economy, which sees the dispersal of economic activities in the metropolitan region, but are clustered at specific localities. In the Chinese case, university towns are an outcome of city planning. They represent not just residential suburbanisation but also post-suburban development which involves the participation of multiple actors through entrepreneurial land development and infrastructure provision (Li et al., 2014). The politics of development include the use of the public sector to gain land at a discounted price. Development is also driven by changing land management and policies which encourage compact development such as transit-oriented developments (TODs) and new towns. With the increase in land values, such a compact development form is becoming possible, as now only a smaller amount of land is needed to capture the land value needed to support infrastructure development.

Lingang, one of nine new towns in Shanghai, is another example that illustrates the features of governing mega urban projects. Located about 75 kilometres from the city centre, Lingang is an entirely new city that combines industrial and residential uses. In 2001, following the construction of the Yangshan deep-water container port, Shanghai perceived an opportunity to develop advanced manufacturing industries and thus initiated the development of Lingang. An advanced manufacturing zone was set up. To support industrial development, a new town near the manufacturing zone was planned. In 2002, a German-based architectural firm, Gerkan, Marg and Partners, won the competition for the conceptual master plan, and designed circular zones surrounding a gigantic ‘water-drop lake’ (dishuihu). The design was inspired by the concept of the ‘garden city’.

As in many other development zones, a management committee model suitable for entrepreneurial development was adopted (Wu and Phelps, 2011). The industrial zone was governed by Lingang Industrial Park Management Committee, and the residential new town was managed by Nanhui New Town Management Committee. This led to a problem of coordination between industrial and residential development. In 2012, they were merged to form the Management Committee of Lingang Region. However, as an entrepreneurial governance model, the driver of development really came from development corporations. In Lingang, there are two major development corporations. Lingang and Harbour-city development corporations are responsible respectively for industrial and new town development. The former is a state-owned enterprise (SOE), belonging to the municipal government of Shanghai, while the Harbour-city belongs to the district government.

In short, the development of Lingang has been enacted through strategically sending a municipal SOE of the Shanghai government to the town to achieve its development vision. The generation of land revenue was not a major motivation for developing Lingang. But in order to develop the new town, the land market was used by the development corporations. In order to gain the support of rural communities, an area of one square kilometre of land was allocated to each of four rural towns in the area for them to create their own mini development zones within the new town. Through reclaiming land from the sea and consolidating former rural communities, the development corporations control large parcels of land. These large areas are regarded as attractive spaces to develop strategic industries that require large land parcels, such as
aviation and heavy equipment manufacturing. The governance of Lingang is not only ‘entrepreneurial’ but also involves complex coordination between different levels of government. Although Lingang is a strategic project of the Shanghai municipal government, in order to motivate the district government of Pudong Lingang is managed by the latter, which is known as a ‘municipally owned but district-managed’ (shi shu qu guan) model.

Peripheral developments in the metropolitan region have been interpreted with different theoretical explanations: as ‘edge cities’ in the economic dynamics of metropolitan dispersal and local clustering of office development (Garreau, 1991); as an outcome of ‘neoliberal suburbanism’ (Peck, 2011), which is driven by entrepreneurial business communities; or as a process driven by different governance modalities including the state, capital accumulation and authoritarian private governance (Ekers et al., 2012). Here, we interpret Chinese new towns as an outcome combining planning centrality and market instruments under state entrepreneurialism.

First and foremost, as shown in the studies of university towns (Sum, 2017, this issue) and new towns (Shen and Wu, 2017), they are mega urban projects created by planning centrality, because they are not only master-planned but are also produced by planning policies. The policy of land development quotas leads to land consolidation in suburban areas (Tian et al., 2017). New towns are planning products. They usually adopt various planning concepts such as ‘garden cities’ or TODs, although actual implementation may deviate from the original discourse and create undesirable outcomes such as separation between jobs and residences and long-distance commuting. They are initiated with more strategic considerations, for example to enhance education, science and technology, to build advanced manufacturing industries or to establish an international shipping centre for a globalising city.

On the other hand, the operation has to resort to market mechanisms and the coordination of diverse actors. The implementation of suburban development requires an innovative use of market instruments and governance adjustment. Their development also represents a financialised approach to urban development (Theurillat, 2017), which facilitates capital accumulation (Shen and Wu, 2017). The management committee (guan wei hui) only provides an overall governance framework. The actual development tasks are carried out by development corporations, usually state-owned enterprises. They belong to different levels of government and are managed by the state assets committee (guo zi wei).

**Governing the countryside**

Chinese spatial governance is characterised by urban–rural dualism. The development of a new governance approach means that urban and rural areas are no longer treated as separate entities but as being linked in the same ‘urban’ process, arguably now a process of ‘planetary urbanisation’ (Brenner and Schmid, 2015). In the countryside, the capitalist urban process affects the development of vast hinterlands for cities.

The transformation of the countryside in China started with the policy of a ‘new socialist countryside’ in the mid-2000s. Seeing the countryside as a potential space to absorb production capacity and thus stimulate economic growth, the policy attempted to modernise the countryside, albeit under the rhetoric of reducing urban–rural inequalities. Expansionist state entrepreneurialism extended planning power into largely ‘unplanned’ rural areas, initially through so-called ‘urban–rural integration
planning’ (Qian and Wong, 2012), and later formalised in the 2008 City and Countryside Planning Act. Since the formalisation of land markets and strengthened land management with the protection of ‘basic agricultural land’, a regulated land supply has facilitated the development of land-driven urban development in China (Lin, 2014). In contrast to enhanced urban governance, rural public finance is very weak (Po, 2012). Private governance and services supported by rural collectives are still a key feature of rural governance. The abolition of agricultural taxes led to the declining capacity of public finance in rural areas. In the Pearl River Delta, services were mainly reliant on the rental income of rural collectives. The global financial crisis of 2008 reduced rental incomes and placed added pressures on village shareholder companies. In Dongguan, villages incurred heavy debts, suggesting the deepening of the economic crisis into a financial crisis of entrepreneurial governance (Xue and Wu, 2015).

The global financial crisis in 2008 has made state entrepreneurialism rely more on SOEs as an economic development driver. The 4-trillion Yuan financial stimulus package was allocated through the national economic and reform commission (the former planning commission under the centrally planned economy) and implemented by SOEs through infrastructure investment. The demand for land has led to a new meaning of governing the countryside. In conjunction with the environmental discourse, rural land consolidation aims to transfer development quotas from rural areas to the city for mega development projects, which is characterised by two seemingly contradictory tendencies: using market instruments but at the same time enhancing state control. More ‘neoliberal’ entrepreneurial activities in the rural PRD, for example, with foreign investment and rural governance depending upon rental income, have collapsed. Instead, a rising new movement of urbanisation has seen the state consolidate its governance of the countryside.

In this context, we start examining the complex dynamics of rural governance. The characteristics of planning centrality in governing the countryside can be seen from the Village Improvement Programme in Jiangsu (Wu and Zhou, 2013) (also Shen and Shen, 2017, this issue). In order to understand rural governance in China, we need to understand the Chinese particularity of urban–rural dualism. The provision of public services is mainly confined within urban areas. In rural areas, there has been a lack of governance capacity, especially after the abolition of the agricultural tax (Po, 2012). Even in Jiangsu, where there has been a strong tradition of collective rural economy, public finances in rural areas are weak. The rural living environment is underdeveloped, especially in terms of public services. With the support of the provincial government, the Department of Construction initiated a major plan for improving rural villages in 2012. The aim is mainly to improve the physical environment and deal with public hygiene, water-course maintenance, waste collection and transfer, safe drinking water and the recycling of animal manure as well as landscaping and the preservation of cultural heritage.

However, the provincial government has quite limited financial resources to fund the improvement of the vast number of rural villages. A new approach to ‘governance’ has thus been invented to mobilise society’s resources. The government allocated modest funds for pilot projects. Universities and planning institutes were asked to participate in the campaign. Villagers were asked to take a major role in renovation and refurbishment. Rural tourism was introduced to incentivise villagers to invest in their environment. However, the village improvement programme does not have profit as a motive.
Initially, it was not even for place promotion. Rather, the programme was initiated to demonstrate the alignment of provincial government policies with the vision of the central government. In 2012, the new Chinese leader, Xi Jinping, announced a new vision to build ‘Beautiful China’. Recognising rural and urban inequalities and the under-provision of public services in rural areas, the Jiangsu provincial government developed its village improvement programme. The most successful case is the combination of rural tourism with a physical improvement programme. For example, a town near Nanjing has allegedly been developed into the first ‘slow city’ in China (Wu, 2015). For places that lack tourist attractions or are far away from major cities, because of the lack of a sustainable business model it is difficult to maintain funding for village improvement. Some have been criticised as ‘face-lifting projects’ because they merely painted the walls. Although the village improvement programme promotes incremental redevelopment and allows farmers to keep their property rights, in some places the programme began to deviate from its original design and started to bargain with the development rights of existing rural areas and transfer quotas of developable land for land development in the cities.

From the above analysis, we can see that the recent effort to govern the countryside through new village improvement programmes has been driven by complex motivations: it does not originate from a ‘growth machine’. On the other hand, neither is it a welfare project that simply extends public services to the countryside. It uses governance techniques to mobilise social resources, focusing firstly on the physical living environment and secondly on rural tourism which brings capital to sustain funding. During the operation, market instruments are explored and applied. Sometimes, these have driven the programme to become more of a development project which may displace the rural population.

**Agencies and informalities**

China’s urban transformation has an immense impact on residents, and has significant implications for urban life. Residential segregation between migrants and local residents tends to reinforce social distrust and exclusion (Liu et al., 2017, this issue). The lack of urban hukou status severely constrains rural migrant workers’ job opportunities; even with a college education they are discriminated against and have little chance of working in the state sector (Xiao and Bian, 2017, this issue). However, urban dwellers and migrants are not passive objects. They show active agency in shaping and changing the living environment. The urban is a lived experience (Lefebvre, 1991), and in this sense urban dwellers have a right to the city. This right includes but goes beyond property rights and the right to stay, and in essence is the right to determine urban changes. Through their agencies, urban dwellers and migrants attempt to overcome political economic constraints and are creating a space of their own. As for rural migrants, they cannot afford to buy commodity housing and tactically choose to live in urban villages. Living in a migrant enclave is an outcome of residential differentiation. But their action subverts residential segregation. They choose migrant enclaves partly because in many places they are able to build a dense social network. For example, in a place nicknamed *xiaohubei* (little Hubei) in Guangzhou, migrants from the same town of Tianmen in Hubei are all engaged in textile manufacturing and business. A trans-local network links the home town and the cities (Liu et al., 2015). Resettled residents in a new environment try to make the living environment more suitable for their needs (Zhang et al., 2017, this issue). Dwellers in
the old urban area of Shanghai seized the opportunity of a rising demand for rental housing in central areas and upgraded their properties (Arkaraprasertkul, 2017, this issue). Rather than being isolated, rural migrants in the enclaves managed to maintain active socialising (Wu and Logan, 2015), partly owing to informal and semi-public space and partly because their marginal social status made them more dependent upon local social networks. In suburban gated communities, residents form homeowners’ associations to claim the right to manage their residences.

In urban villages, there are strong incentives for villagers to expand and renovate housing in order to gain more rental income. In urban areas, existing property owners improve their residential living environment so as to attract new tenants (Zhan, 2017, this issue). In this case of self-improvement, there is no obvious displacement as usually seen in the process of gentrification. A neoliberal and entrepreneurial governance would allow upgrading and self-building to generate more rental income. However, existing planning regulations try to control self-build activities to ensure that development rights are controlled by the local state. From this we can see that entrepreneurialism is used more as a market mechanism for the benefit of the state. The deterioration of the living environment in urban villages is caused by strict control over self-improvement (Wu, 2016a). When the living environment becomes more dilapidated, the government then begins to get control over the land through demolition and requisition. Gaojiabang in Shanghai is such an example (Wu, 2016b).

Planning centrality does not mean that Chinese cities can eliminate informality. As Roy (2005) has argued, for a pro-market governance informality is a mode of urbanisation. For urban villages in China, there have been three sources of informalities (Wu et al., 2013): first, rural land regulation was lax, and there was an ambiguity of collective ownership. Second, to save costs, the state obtained farm land during land acquisition but left out the villages. In southern China, there was a practice of allowing villages to keep additional collectively owned land as part of the compensation for their farm land. Third, municipal public services do not cover rural villages. Village collectives provide informal and private services.

The continuation of informality is also due to state entrepreneurialism. First, informal practices and market approaches subvert formal regulations and plans. On the streets of Chinese cities, there have been constant battles between vendors in informal markets and officials (Huang et al., 2014). Second, because the state no longer controls all means and resources, state entrepreneurialism needs to mobilise various actors and use market resources. In this sense, it is governance rather than the government that affects the course of urban transformation. With the decentralisation of resources, urban development is no longer determined by the state. On the ground, the state has to relax control for practical reasons and the outcome may not be determined by the plan. Urban villages are a good example to show that the state lacks the capacity to provide affordable housing to rural migrants and consequently the private rental market plays such a role. Significant informality is thus inevitable.

Examining agencies and informalities can lead to a more nuanced understanding of state entrepreneurialism. The governance approach means that the state in its governing urban transformation has to compromise and give space to agencies. But there is a limit. The politics of exclusion are justified by the state through its growth-first entrepreneurialism. According to the post-political perspective, greater market orientation is leading to the decline of Western democratic political processes (Swyngedouw, 2009). The state is captured by and thus
represents the interests of capital. Consensus for urban change is reached through technical rationality rather than a need to redistribute welfare. In Chinese urban transformation, such a tendency towards promoting growth is also visible. For example, the Beautiful China campaign, redeveloping old areas and establishing high-tech and business parks are all seen as less political than the improvement of the living environment and the better use of space. But the distributional effect and how the existing population is affected are unquestioned.

Conclusion

In a recent article concerning the debates in urban theory, Storper and Scott (2016) criticised postcolonial urban theory for its particularism and provincialisation of knowledge. However, their own understanding of a universal theory based on agglomeration as a basic driving force is criticised by comparative urban theorists (Robinson and Roy, 2016) for its narrow economic focus and lack of attention to different institutions in the Global South, which may lead to an alternative theoretical construct rather than being a variant of the theory derived from the Global North. Peck (2015), however, stands in between these positions and argues that there is value in comparing cities but that this stance of comparison should not be overplayed to become particularism. Understanding the shift of urban governance would be a good case to illustrate the value of variegated geographies and their potential contribution to theory building.

Contemporary urban transformation is characterised by the rising dominance of the capitalist urban process which is evolving towards a greater role for the market (Harvey, 1978; Peck, 2011, 2016). The government is no longer a single actor, and in this sense, is becoming governance. This process is similarly seen in post-reform China, which is a kind of entrepreneurialism beyond the business sphere. So far, attention has been paid to resources outside the government, institutional innovation concerning central-local relations, decentralisation and recentralisation and the establishment of a land market to achieve its goal. However, the state does not passively follow the logic of capital accumulation; rather, the state itself has a vested interest in maintaining its power. A necessary measure to maintain its power is to sustain capital accumulation. This means that the rising form of post-reform Chinese governance is characterised by an ‘urban’ process to achieve a spatial fix. Market instruments are used in the process. While there is an attempt to see China as a variant of capitalism, seeing it as a derived instance of Northern theory may not be sufficient to understand the new features emerging from institutional particularities (Peck and Zhang, 2013). This article highlights that planning centrality is a salient feature of state entrepreneurialism, and that the state actively tries to modify, change and adjust its governance practices.

In the West, the neoliberal attack on planning has led to its role being confined to fixing externality (Allmendinger, 2009). In contrast to a very passive planning response to the ascendant market mechanism, Chinese planning is more proactive towards its growth agenda (Wu, 2015). This is another and different type of response to market orientation. Seen from a wider perspective, the Chinese case may contribute to our understanding of different possibilities of governing urban transformation, within which neoliberalist planning may be one type among many. Greater orientation towards the market does not automatically lead to the reduction of planning. Rather, it strengthens the politics of using market instruments. Coupled with the existence of political elites, such a process, in the context of western democratic politics, may be
described more appropriately as a regulatory capitalism (Raco, 2014) and an exclusionary post-political approach (Swyngedouw, 2009).

Local state corporatism (Oi, 1992) is a theory derived from observing Chinese rural reform. However, the theory is mainly based on the observation of Chinese rural cadres. It emphasises ‘particularism’ and has not been considered in comparison with wider urban entrepreneurialism. On the other hand, ‘urban’ entrepreneurialism needs to be questioned in terms of the meaning of the urban. Here, from observing Chinese urban governance, we argue for an alternative concept of ‘state entrepreneurialism’ to describe the use of market instruments and means to achieve the state’s strategic goals. The notion of state entrepreneurialism emphasises more political reasons for this emerging entrepreneurial behaviour. The purpose of shifting from government to governance is not for the market but for using market means to solve the crisis created by the contradictions arising during urbanisation and urban transformation, and ultimately to maintain state power.

While ‘urban entrepreneurialism’ describes the change of governance in the urban sphere, it is vital to ask what is the ‘urban’. Despite rising localities, the city itself is not an actor (Cochrane, 2007). There has not been a shift of power from the state to the ‘urban’ elites in China. Local officials who demonstrate entrepreneurial behaviour are a constituent of the state apparatus. The development regime may involve various actors and their pro-growth coalitions, but these agencies originate from different motivations, some of which are strategic beyond the appreciation of land values. Local particularity needs to be incorporated into the thesis of the growth machine (Logan and Molotch, 1987) as part of its theoretical construct. Rather than being seen as a variant of Western democratic machine politics, particularity and the specific institutional set-up should be seen as part of the causal effect and as constituents of the dynamics. That is, the theoretical logic is not independent of the local context.

There are different explanations for Chinese entrepreneurial governance: the attempt to capture land values, a driver to fill the gap in public expenditure and the desire for political career advancement. These explanations are possible but focus too narrowly on particularities. Studies in urban governance (McCann, 2016) provide some theoretical inspiration. Here we see governing Chinese urban transformation as an attempt to carve out a space for accumulation – a ‘spatial fix’. Planning occupies a central position in this process. The state apparatus has its own vested interest in maintaining its power through adapting governance approaches. This too results from the crisis of capital accumulation and the contradiction between extracting social surplus and the realisation of the surplus. The analysis emphasises a different planning rationale – one as a democratic political process which is perceived as a constraint to expansion, and one as a part of the state apparatus, perceived as an instrument to expand the scope of accumulation into new towns and new areas but also to regenerate urban areas and the countryside.

The study of Chinese urban governance helps to shed light on some observations in the West from a different angle. In discussing neoliberalism, Harvey (2007) emphasises that the essential feature of neoliberalism is not about the free market or following market logic but rather to achieve ‘class restoration’, or as a ‘state-assisted project for the restoration of capitalist class rule’ (Peck and Zhang, 2013: 378). In a more recent article, Peck (2016) suggests that the concept of the entrepreneurial city should be historicised now as ‘the specific circumstances of contemporary urban restructuring in the United
States’ (Peck, 2016: 1), that is, the growth machine now turning into ‘coercive applications of financially driven and technocratically managed restructuring’ (Peck, 2016: 6). This is a value extraction machine. The Chinese case, through its difference, even suggests that value capture may be part of the considerations of a new governance approach but ultimately this approach is not just ‘for profit’: the state apparatus is not equivalent to a business establishment, no matter how it behaves entrepreneurially. Both cases provide a temporally and geographically different picture of urban entrepreneurialism.

In conclusion, during China’s urban transformation, planning occupies a centrality in governing social-spatial changes, because planning, as part of the state apparatus, is driven by a motivation beyond just facilitating market operation. In a growth machine, planning is an auxiliary actor that is affiliated to growth interests and has benefited from growth, which is used to explain the pro-growth behaviour of place promotion. Here, planning for growth is the other way around, using market instruments to achieve state power. Planning is a strategic endeavour to promote growth without direct command in a centrally planned economy. State entrepreneurialism uses market instruments made available through institutional innovation to extend the state’s position into the market sphere and maintain state power. Rather than being replaced by market power, state power is reinforced by its use of market instruments. While profits could be made during market operations assisted by a state monopoly, the incentive, seen as an overall process of governing urban transformation, is more strategic. The intention has never been to use neoliberalism to reduce state power but rather, through institutional reform and innovation, to deploy diverse governance techniques.

Declaration of conflicting interests
The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Funding
I would like to acknowledge the support of the UK ESRC research project ‘Governing the Future City’ (ES/N006070/1).

References


Shen J and Wu F (2013) Moving to the suburbs: Demand-side driving forces of suburban


Yeh AGO, Yang FF and Wang J (2015) Economic transition and urban transformation of

