

## Study on the Inclusive System Innovation of China's New Urbanization

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### Abstract

Under the deepening international competition and cooperation in the world and current situation in China, it is an important strategy to follow a new path of urbanization. In these years, the urban size and the number have increased greatly. The urbanization level had the very big enhancement. But the problems exposed many of the contradictions, such as the unbalanced development between urban and rural areas, land urbanization faster than the population urbanization issue which has seriously affected the healthy development of urbanization. It's the purpose of research how to develop new type of urbanization. This paper analyzes the causes behind the system of current urbanization problems from the perspective of institutional reasons, and points out that the institutional defects. Combining the inclusive nature of the urban development theory thought and the current situation, the paper explores reasonable institutional innovation suggestions and corresponding implementation path.

**Key words:** Urbanization inclusive system innovation; Traditional urbanization development; Concept

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### INTRODUCTION

The 21<sup>st</sup> century is the century of globalization, the era of competition and cooperation between countries

and the century of city. Since the "inclusive growth" was first proposed by the Asian Development Bank in 2007, the "inclusive growth" has caused a great deal of research and exploration tide all over the world. Over thirty years of reform and opening up, China's economy has grown rapidly under the guidance of the market economy, leading to today's thriving from the full-scale reconstruction in all areas of society. China's economic aggregate ranked second in the world, and the whole country has taken on an entirely new look, making remarkable achievements in reform. And with the increasingly improved industrialization, the urbanization process has also obtained great progress. According to the data of the National Bureau of Statistics, China's urbanization rate in 2012 has reached 52.6%, which indicates that nearly half of the total population in China has become urban population. The improvement of urbanization level marks the enhancement of the level of national modernization and competitiveness.<sup>1</sup> But under the background of continued rapid economic development and strategic transition period of the country, the existing pattern of urbanization resulted in unbalanced development in many aspects, wherein the increasingly widening gap between the development of east and west caused uncoordinated regional development. The construction of rural market economy is severely slower than the pace of urban development, causing a serious imbalance between urban and rural development. The public service supply for urban and rural residents is unequal, and the employment is difficult. China's urban problems become more serious. Serious waste of resources and the environmental pollution has severely affected the long-term sustainable development of the city, showing the imbalance between economy, environment and social relations. How to

<sup>1</sup> Data source: National Bureau of Statistics. (2012). Annual data of national urbanization level.

solve these problems has become the biggest obstacle in China's new urbanization development process.

## 1. DEFINITION OF CHINA'S NEW URBANIZATION INCLUSIVE SYSTEM

### 1.1 China's New Urbanization

The so-called new urbanization refers to taking the path of urbanization construction with the scientific development, intensive efficiency, perfect function, friendly environment, harmonious society, distinctive individual, integration of urban and rural and coordinated development between large, medium and small cities and small towns, which adheres to the people oriented, takes the new industrialization as the driving force and the overall planning and all-round consideration as the principle, promotes the urban modernization, urban agglomerations, urban ecology, rural urbanization, and enhances the urbanization quality and level entirely.

### 1.2 Inclusive System

The inclusiveness is relative to the repellency. The inclusive development is people-oriented, focuses on the sharing, fairness, comprehensiveness and sustainability, and pursues synchronized implementation and coordinated development between economic growth, social progress and people's living. The inclusive system is the policy that is able to regulate and guide the country and region to adhere to the people-centered, focuses on the coordinated and sustainable development of economy, society and natural environment, and promotes the principle of fairness and sharing. To construct the new urbanization must reform the original household registration system, carry out the inclusive innovation, abolish the isolated urban and rural household registrations system and cancel the difference between the urban and rural due to the household registration system, in order to achieve the healthy development of new urbanization.

## 2. ISSUES IN CHINA'S TRADITIONAL URBANIZATION DEVELOPMENT AND THE CAUSE ANALYSIS

### 2.1 Issues in Traditional Urbanization Development

The 21<sup>st</sup> century is the century of city, and the development and improvement of cities in a country determine the speed and strength of the national development. After the reform and opening up, China strived to develop economy, and promoted the increase in the number and size of cities, so that the level of urbanization is also increasing, and China's level of urbanization has reached 52% in 2012. During the accelerated urbanization process, there are also many urban diseases, and many of the problems cannot be

solved for a long time, and hard to be eradicated, which not only affects the healthy development of urbanization, but also slows down the pace of urbanization.

### 2.1.1 Land Urbanization Reject the Population Urbanization

Only following the natural law, economic law and social law in the process of urban construction are able to build up a city that can enhance people's quality of life and cultural level and suit people's healthy life and work. However, China's development philosophy departs from the essence of urbanization. Many local governments measure their governance performance with the speed and scale of development as the indicator, and wantonly construct houses, roads and other infrastructures and buildings. A large amount of land has been prematurely urbanized, resulting in the land urbanization faster than the population urbanization, and many houses are vacant, forming "ghost towns". According to the internationally accepted measurement criteria, the reasonable threshold of elastic coefficient of urban land growth measuring the relationship between land and population urbanization should be 1-1.12. China's urban construction significantly exceeded the reasonable range. It is estimated that from 2000 to 2010, China's urban construction land area expanded by 83%, while the urban population only grew by 45%. The rate of the urban land growth and the urban population growth is up to 1.84. In 2012, China's urbanization rate has reached 52%, but this figure is only 35% in if calculated by the household register. Among urban permanent population of more than 700 million people, a considerable part of the population is the migrant worker without urban registered residence or enjoying the urban "treatment". The ratio of actual urban land growth rate and urban population growth rate has already far exceeded the reasonable range.

### 2.1.2 Urban Development Rejects Rural Development

Over thirty years of reform and opening up, the planned economic system has gradually turned into the market economic system. Coupled with the implementation of various reform policies, China's industry, agriculture, urban and rural areas have undergone tremendous changes. But the urban-rural dual structure still exists. The socialized production-oriented urban economy has been developed and upgraded rapidly, while the smallholder production-based rural economy is relatively underdeveloped. Uncoordinated development between urban and rural areas is mainly reflected in the following aspects. First, in terms of the supply of public goods, the city's infrastructure such as roads, transportation, and communications and so forth are relatively well developed, while infrastructure construction in rural areas is relatively backward. Second, in terms of the income level, the overall level of urban residents' income is much higher than farmers' income, and urban residents' consumption ability is also relatively strong, showing a

big gap between urban and rural development. Third, in the enjoyment of the rights and interests, urban residents can enjoy higher welfare than rural residents, and the city's medical, health, education, pension and other aspects of the conditions are much superior than rural areas. This gap leads to the widening gap between the urban and the rural development speed. Urban road traffic and communication are more convenient and efficient, and information exchange is faster and richer. The gap between the quality of life and work of urban and rural residents is also widening.

### **2.1.3 Deficiencies of Land Right Protection System**

The local government is always keen to pursue the only GDP-focused achievements, and wantonly construct houses, roads and other infrastructures. Coupled with no protection of perfect land right compensation bills, forced recruitment and demolitions of peasants' land frequently occurred in many places of China, and the land rights of farmers did not get the compensated efforts they deserve. In accordance with the "Land Management Law", China's current land acquisition compensation fee should be calculated by the "output number method", that is, 6 to 10 times the average annual output three years before the land is expropriated; and the resettlement subsidy should be 4 to 6 times annual output three years before the land is expropriated. This calculation approach is not scientific, and the land income distribution is unreasonable. According to statistics of relevant data, in the value added income distribution after the change of land use, the government accounts for 60% to 70%, the village collective organizations account for 25% to 30%, and farmers received only 5% to 10%. This income distribution pattern seriously damages the interests of farmers.

## **2.2 Cause Analysis of Traditional Urbanization Development Essence and System**

Historical experience shows that the problem that cannot be solved for a long time is certainly not a simple question, but an institutional and structural problem. Such problems can only be solved through institutional innovation and structural adjustment.

### **2.2.1 Absence of People-Oriented Development Concept**

The essence of urbanization is to make the rural population become urban population and become urban residents, to provide urban residents the sound and efficient living and working environment, improve the quality of life, enhance urban cultural level, and to achieve the harmony of the natural environment, economic development and social life, so allow the city become the most ideal place to live. However, the urbanization caused by China's current overhaul, construction and constant enclosure at present is actually because of the misconception of government leaders that focus on quantity instead of quality and pursue clear numerical targets to highlight

their governance achievements. They did not, base don the people-oriented, think about how to build urbanization from the people's point of view, so that the urbanization construction now emerges a lot of contradictory issues that hinder the construction of new urbanization.

### **2.2.2 Deficiencies of Separated Household Registration System**

The separated urban and rural household registration system is to facilitate national demography, social control and the allocation of resources, and make certain achievements that planned economy era. But after the reform and opening up, under the historical background of market economic system gradually replacing the dominant position of the planned economic system, the original separated urban and rural household registration system is not suitable for the current rapid social and economic development, hindering the process of China's urbanization. Urban and rural residents enjoy different treatment based on residential property. Difficulties in transferring populations between urban and rural areas lead to a large number of rural surplus labor migrating into the city. When contributing to the development of the city, farmers cannot enjoy the same social security benefits as urban residents since it is difficult to turn their household registration to the urban one, which is not conducive to the development of a unified national labor market.

### **2.2.3 Absence of Land Right Protection System**

There are deficiencies in China's making of land right protection laws, especially with regard to farmers' land compensation rights and interests. On the basis of household contract responsibility system, the farmer only has the right to use the land, and does not have the ownership. The state expressly stipulates that the land is owned by all people. Due to such vague definition, coupled with the government's own lack of supervision, a lot of local governments forced to expropriate farmers "land, demolish houses, seriously infringing farmers" land rights and interests. At the same time, farmers' land was expropriated by the government or transferred the management rights to other operators, and farmers failed to enjoy deserving and sufficient amount of land compensation, which also led to damage to land rights and interests of farmers.

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## **3. INCLUSIVE DEVELOPMENT PATH AND SYSTEM INNOVATION OF CHINA'S NEW URBANIZATION**

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### **3.1 Development Path: Reshape the People-Oriented Concept and Implement System Innovation**

Taking the new urbanization road is not a simple and spatial urban-rural integration, but should be, with the system integration as the core, build a set of coordinately

developed new urban and rural systems with China's own characteristics. The old systems not suitable for the sustainable and healthy development of the current city should be reformed and innovated in order to better address existing and potential urban issues, and promote the inclusive and healthy development of urbanization.

The construction of new urbanization shall reshape the people-oriented values, follow the natural, economic and social laws, pay attention to balance development, and correct value ideas. The wrong value ideas of overhaul and construction, expansion of the scale of urban construction land while ignoring urban population growth in the past should be changed. Taking the institutional innovation as a breakthrough should make the following three aspects: First, unify the urban and rural household registration system, promote migration of large numbers of rural population to the city, and increase relevant agriculture-related efforts to enhance the quality of rural hardware, develop modern rural economy and promote the interactive and symbiosis development of urban and rural economy, so as to solve three rural issues and change the urban-rural dual structure. Second, improve the rights system, protect rights and interests of people whose lands are expropriated from infringement, reducing the occurrence of demolitions and violent removal in the society. Third, reform the implementation and supervision of integrated system setting in social security system to accelerate social security, balance of coverage and reduce the repellency caused by imbalanced social security

### **3.2 Promote the Inclusive System Innovation of New Urbanization Development**

Combined with the concept of inclusive development and issues emerging in China's urbanization construction process at the present stage, suggestions are put forward for the inclusive system innovation of new urbanization.

#### **3.2.1 Household Registration Management System Innovation**

Over thirty years of the reform and opening up, China's development direction has changed from the planned economic system in the early days of the new nation to the market economy-dominant economic system, while the urban-rural dual structure problem caused by the old household registration management system is more and more prominent, which has seriously hindered the normal and reasonable population migration and flowing between urban and rural areas in the process of urbanization.

Firstly, under the premise of two necessary basic functions, namely, retaining the demography and social control and management, the implementation approach in the past that allocates resources in accordance with the household attributes and place domicile should be fundamentally changed to replace the original separated urban and rural household registration management by the unified administration with resident ID cards. Secondly, the indicator restrictions of rural residents

becoming urban residents shall be abolished to determine the household attribute by the current place of residence and occupation, conduct the progressive household registration management system reform in the household registration and achieve free migration of urban and rural residents.

#### **3.2.2 Rural Land Management System Innovation**

The core of the reform of the rural land system is to ensure how farmers can properly share the value-added benefits brought by the land in the industrialization and urbanization process to avoid landless farmers entering the city in the "extreme poverty" status. Thus, farmers can go to the city with land property or the capital they get from the transfer of land, speeding up the process of population urbanization. On the one hand, the transfer of rural land-use right should be established, and the farmers' land use right transfer mechanism shall be improved to achieve separation of its use rights and management rights and realize the free and legitimate transfer of land. On the other hand, the management and use of land shall be regulated according to the law to build, improve and perfect the land requisition review and compensation system as soon as possible, which is also conducive to promoting the transfer of agricultural land, push forward the agricultural industrialization, large-scale and intensive operations.

#### **3.2.3 Social Security System Innovation**

The social security system is both the "stabilizer" of market economy and the regulating method promoting the growth in resident income to adapt to the economic development. Improving the social security system covering urban and rural areas is an important part to implement the livelihood benefiting projects and make efforts to increase the transfer income. The divided urban and rural social security system in the past shall be reformed, and the urban-rural integration of social security system shall be established through the improvement of unified urban and rural residents pension insurance, medical insurance, minimum living allowance, social assistance and other social security systems, thereby eliminating farmers' worries fundamentally after they going into the city, and steadily promoting urbanization.

#### **3.2.4 Public Financial System Innovation**

To build a new urbanization should release the endogenous forces of urbanization. The key to release is the reform of financial system, and the focus on the encouragement of investment in production in the past shall be turned to the boosting of consumption to meet the needs of the society, while increasing the financial support efforts to the second and third-tier cities. The unified public financial system shall be established as soon as possible to adjust the orientation and structure of financial expenditure, get rid of over-reliance of local government's

revenues on the land transfer, stop the practice hindering the rural areas, agriculture and farmers, and break up the basis of urban-rural dual structure from the economic orientation to help push the prosperous development of urban and rural integration; the financial support to the second and third-tier cities shall be strengthened to promote the enhancement of urban development infrastructure, undertake the industrial transfer, improve the market environment and government environment, increase employment, reduce the relocation of the local labor force, introduce foreign talents, reasonably boost the development of the third and fourth-tier cities, accelerate the process of rural urbanization efficiently and excellently, and construct the coordinated and closely associated city network.

## CONCLUSION

The construction of new urbanization will become an important engine to promote China's continuous development forward in the future, and is an inevitable movement to stimulate China's domestic needs and boost growth. The inclusive urbanization construction is the necessity of urban development, which advocates the human and nature-friendly development strategy with everyone being equal, sharing social welfare, helping and benefit mutually, making progress together and protecting the vulnerable groups. There are various problems caused by traditional urbanization. This paper, starting from analyzing the system reason behind the problem, analyzes

the deficiencies and shortcomings of the existing system, and then makes corresponding study on the system innovation and provide the recommendations on the inclusive governance of new urbanization.

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