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Understanding inflating urban property values in China through the Developmental State strategy

Urban property values have been skyrocketing in China's city-regions over the past two decades. This paper outlines the politico-institutional drivers of this increase through the concept of "developmental state" (DS) coined by Johnson (1982) and further developed by Evans (1995). Most authors of the DS scholarship have considered the state as a unique and central entity. However, to address urban and real estate issues in China it is necessary to acknowledge the importance of state action at subnational level. Departing from Zhu's conceptualization of the 'local DS' for urban China (Zhu, 2004), this paper emphasizes the multiscalar nature of the DS by taking into account the complex interactions of top-down and bottom-up processes that shape urban policies and property markets' regulation. It is argued that China's multiscalar DS has generated a mechanism of land value inflation to pursue productivist goals through a set of four strategies: a) encouraging property development and investment as a macroeconomic strategy to achieve economic transition; b) controlling/filtering capital flows into the built environment and encouraging domestic financial vehicles and land value capture mechanisms as an alternative to global finance; c) supporting domestic property developers to move up the value chain; d) providing quick regulatory responses to real estate market signals.