



MESSAGE FROM THE PRESIDENT GEORGE W. McCARTHY

The Future of the PKU-Lincoln Center

ON OCTOBER 14, WE WILL CELEBRATE THE 10TH ANNIVERSARY OF THE PEKING UNIVERSITY-LINCOLN INSTITUTE CENTER FOR URBAN DEVELOPMENT AND LAND POLICY, MORE AFFECTIONATELY KNOWN AS THE PKU-LINCOLN CENTER, OR PLC. To commemorate the occasion, we are dedicating this issue of *Land Lines* to illustrate some of the PLC's land policy work in contemporary China. While it is impossible to cover the broad set of activities and issues addressed by the PLC, we hope that the stories presented here will represent the relevance and rigor of our work. Since its founding, the PLC has both observed and participated in land policy formation in China. In this message, I will reflect on the future of the PLC in light of our experiences over the last decade and the current trends we've observed. In addition, we've asked Lincoln Institute President Emeritus Gregory K. Ingram to provide a retrospective reflection on the Lincoln Institute's program in China. Dr. Ingram and Peking University President Lin Jianhua were the PLC's principal architects, bringing the center to fruition in October 2007.

It is hard to imagine a more extraordinary decade in China's remarkable economic history than the last one. Ten years ago, China's annual GDP growth was 14.2 percent, a near-peak in the post-reform era, culminating a 25-year run of double-digit average increases in real GDP. This growth rate, more than double that of global GDP, propelled the nation's global economic stature so that China now challenges the United States for worldwide economic dominance.

Importantly, this growth was fueled by land. Huge infrastructure investments facilitated industrial expansion around major cities, which

grew by leaps and bounds using land-based financing. China now has more than 100 cities with over 1 million residents and some 15 "megacities" or urban agglomerations with populations over 10 million. In 2007, only Shanghai and Beijing were home to this many people, according to the United Nations Department of Economic and Social Affairs.

During the decade, the economy lost some momentum, and policy makers adjusted to a "new normal" of roughly 7 percent annual real GDP growth—but this is still twice the rate of global GDP growth, positioning China to double the size of its economy in the next decade. The dizzying performance of the last few decades drove major population migrations from rural to urban areas. When the PLC launched in 2007, China was urbanizing at an unprecedented pace, adding more than 20 million urban residents annually. In 2007, 45 percent of China's population was urban, up from 20 percent in 1980. Today, the population is 57 percent urban and is expected to reach 60 percent by 2020. A significant share of new urban growth occurred in the increasing number of megacities such as Beijing, Shanghai, and Shenzhen.

China's unprecedented growth and mass urban migration generated both intended and unintended consequences. For example, the rapid expansion of megacities is beginning to level off. Many young professionals have begun gravitating toward second- and third-tier cities instead. When surveyed, recent migrants indicated four main reasons for their moves: high housing costs in megacities, stress from the frenetic pace of life, difficulty managing the care of aging parents, and air pollution. Over the next decade, the PLC will observe and track this trend to determine the

implications for land and housing policies in both the megacities and the second- and third-tier cities that are receiving new migrants.

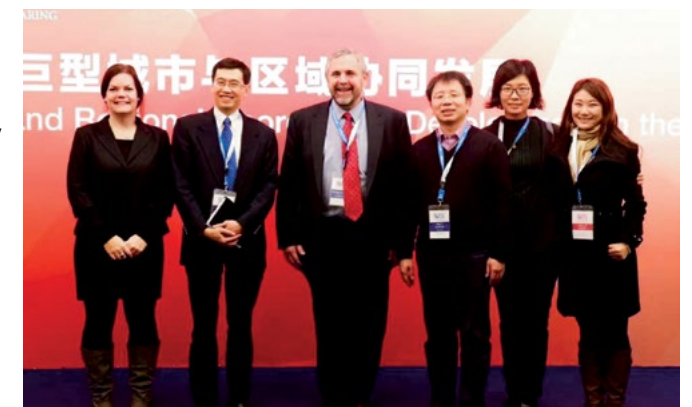
The housing market, a significant tailwind for economic development over the last decade, has become a major impediment to growth in recent years. China's fast-rising house prices are an artifact of widespread speculation by a fast-growing middle class looking for good yields on long-term investments. In past years, this investment was encouraged by the national government, which recognized that property development would significantly drive up GDP. However, increasing shortages of affordable housing are now becoming a big problem in many cities, locking out first-time home buyers. This trend has been accompanied by a decline in land-based financing for municipalities as land reforms have curtailed the practice. Recently, the central government signaled a new policy direction when President Xi Jinping stated that "Houses are built for living, not for speculation." At the same time, lenders have begun rationing credit to cool housing demand. The PLC will continue to track the housing sector to see whether it can help craft a "soft landing" for it.

Urbanization in China, as in other countries, was accompanied by a dramatic decline in poverty as well as increased inequality in the early years. But in this regard, China departed from some international patterns: Although inequality, as measured by the Gini coefficient, rose steadily from the 1980s until 2010, it has been declining since 2012. We expect that this is not the only way that China's transformation will break from common development patterns. The habit of breaking from common, historic development patterns is testament to China's ability to study and learn from the experiences of other countries, a process in which the PLC has played a role.

In the last decade, the PLC contributed to policy debates by nimbly and quickly mobilizing international experts connected to global Lincoln Institute networks. In the coming decade, we expect to respond similarly to requests for high-level international exchange from government and institutional counterparts including the Budget Affairs Commission of the National

People's Congress, Ministry of Finance, the Ministry of Land and Resources, Ministry of Housing and Urban and Rural Development, State Administration of Taxation, Development Research Center of the State Council, China Center for International Economic Exchange, and China Land Survey and Planning Institute in topical areas such as property taxation, municipal finance, land policy, housing policy, and land conservation.

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At the Beijing Forum 2016 Panel Session II: Global Megacities, and Regional Coordinated Development, Kate Austermitter, Zhi Liu, George W. McCarthy, Canfei He, Tao Jin, and Xinrui Shi. Credit: PLC

A hallmark contribution of the PLC over the last decade has been knowledge dissemination and policy advice on the property tax law, property value assessment, and local tax administration. While the National Property Tax Law is not on the legislative timetable this year, there is mounting political pressure to introduce

a property tax. We expect that the approval of the national property tax law will generate future demand for technical support to implement the new tax, particularly in smaller cities, especially for property value assessment and municipal administrative systems. The PLC will promote research to lighten administrative burdens on municipal governments by studying, for example, how combining drone technology and property registration data can quickly establish cadastral systems for cities with weak technical capacity. The PLC also will investigate the applicability of other land value capture instruments, such as negotiable developer obligations, as another way to build a fiscal base for local governments.

select group of cities, the way it introduces many new policies, before establishing it on a national stage. The PLC will participate in the pilot city programs, studying implementation and suggesting ways to improve policy approaches before the program is deployed nationally.

The PLC has helped advance the evolution of urban land and housing policies in China through its intellectual output—through research, dissemination of knowledge, and international exchange. In ten years, the PLC built a network of hundreds of urban development and land policy experts through its flagship Training the Trainers course. The program will remain a primary way that we expand our academic and policy networks in China. Currently, our networks heavily represent senior scholars and policy makers. This has exacerbated a bias in China's research funding system, which favors established scholars, leaving young academics with very limited funding opportunities. Recently, we decided to cultivate a pipeline of young scholars in China using our domestic research support. Following recommendations from our board of directors, we plan to hire established academics to mentor our young scholars. Beginning this year, we will bring on affiliated research advisers on a part-time basis, to supervise projects and foster higher quality research from our young scholars. In addition, we will bring young PLC fellows and graduate students or affiliated scholars to the Lincoln Institute in Cambridge to conduct research as visiting scholars and work closely with the U.S. staff. Through these efforts, we hope to replenish academic and policy networks to serve China in perpetuity.

The Lincoln Institute of Land Policy is tremendously proud of the work of the PLC. The enormous role that land and land policy have played in China's unprecedented transformation over the last decade has fascinated, daunted, challenged, and sometimes overwhelmed us. We are honored and humbled to have the opportunity to work with Peking University and its visionary leadership. We look forward to future decades of collective efforts to find the answers to some of our most vexing social, economic, and environmental problems in land. □



Zhi Liu, Allan Cochrane, George W. McCarthy, Robert Yaro, and Peter Wallace discuss managing megacity development at the Beijing Forum 2016 Panel Session II. Credit: PLC

China has encountered the limits of carbon-fueled growth and is now becoming a world leader in renewable energy generation. This orientation toward “green growth” also characterizes new government policies that emphasize qualitative aspects of economic and urban development over quantitative measures. The “sponge cities” program, for example, illustrates the national commitment to use green infrastructure to improve water management in cities. The national government will pilot the program in a