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Analysis on Land Ticket Transaction System of Chongqing Municipality

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Abstract On the basis of analyzing essence of land ticket system of Chongqing Municipality and its transaction process, this paper studies the relationship between government and farmers and between city and countryside, and discusses the drawbacks of land ticket system in Chongqing Municipality. Results show that inherent drawbacks of land ticket system and wrong guidance of policies lead to suspicion of land ticket system occupying rural resources. Interregional exploitation and intergenerational exploitation are inherent mechanism of city exploiting countryside. Finally, it proposes increasing construction land index to satisfy demand of new socialist countryside construction primarily, to ensure rural social stability; Later, use land ticket index to fill the gap of construction land in economically developed areas, so as to alleviate conflict of urban land use and maximize circulation value of rural construction land. It is expected to provide theoretical reference for relevant departments to regulate land ticket transaction system and realize the harmonious development, between urban and rural areas.

Key words land ticket transaction, City-countryside, Government – farmers, Resource grabbing

The land ticket is a ticket form of rural collective construction land (such as rural homestead and land for affiliated facilities, land for township enterprises, land for rural public facilities, and land for rural public welfare, *etc*) that undergoes public auction in rural land transaction market of Chongqing Municipality through strict inspection of land administration department after reclamation.

1 Problems in land ticket transaction process

1.1 Problems in source link of land ticket

1.1.1 Limitation of farmers' understanding of land ticket and reclamation system. Subjects of right of rural construction land are farmers and village collective. To ensure source of land tickets and ensure healthy, stable and constant development of land ticket system, farmers should have clear understanding of land ticket system and reclamation work. Rural land is the guarantee for survival and development of farmers. Without making clear land ticket policy and reclamation work, reclamation may easily cause social problems. Through survey, it is found that farmers' educational level is generally low, they may give up their rural homestead for a huge sum of compensation which may be difficult to obtain, they dream of living in cities, but finally they may be in a dilemma, thus it will lead to social instability.

1.1.2 Attending to the superficial and neglecting the essentials, and focusing on political achievements. From Fig. 1, it can be seen that reclamation of farmers' homestead is a bottom-up process from farmers to government. Farmers firstly file an application of reclamation, competent authorities take strict verification, and fi-

nally establish reclamation project. In reality, government exchanges construction land index through reclamation, and the index seems to become major part of all works^[1]. Although through administrative incentive mechanism, it is able to encourage counties and towns to carry out reclamation, it is also easy to deviate from realities and result in harmful effects.

1.1.3 Difficult to guarantee farmers' benefits due to lack of participation of farmers. From Fig. 1, it can be seen that farmers' participation is little in the whole land ticket system links. Since farmers have no participation in the whole process, it is impossible to safeguard their rights and interests. In reality, only in the early reclamation decision and final passive acceptance of part of income from land ticket transaction, there involves farmers' participation. Other links of land ticket system involve no participation and monitor of farmers. What's worse, a lot of farmers go outside for work and these migrant workers have to entrust others to take part in land ticket transaction. As a result, benefits of those farmers fail to be guaranteed.

1.1.4 Land ticket index is driven by interests and deviates from rural realities. In the assessment of suitability of reclamation, it is required to assess reclaimed land. In fact, hitherto, such assessment has no obvious effect but it still limits reclamation of homestead in some regions. This is mainly because the existing reclamation work serves land ticket system. To realize land ticket index, the only way is to increase the amount of effective cultivated land area from rural collective construction land reclamation. Such type of reclamation is at a loss for government. From this perspective, land reclamation has in fact lost its essence.

1.2 Problems in formation link of land tickets

1.2.1 Reclamation planning takes increasing the amount of cultivated land area as principle, but its essence is to maximize benefits of land tickets. From Fig. 1, we can see that reclamation is

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completed under the guidance of policies. Policy orientation determines that planning and designing institutes should take increase of the amount of cultivated land as principle. In this situation, much unsuitable construction land is reclaimed as cultivated land, which is admitted silently by government. The reuse of reclaimed land has no direct relation within local government, who do not care about quality of reclaimed land, but pay more attention to how much they can acquire from for construction land index^[2,3].

1.2.2 Difficult to guarantee quantity and quality of reclaimed cultivated land. Government actively exchanges rural construction land index through reclamation. Excessive attention paid to land ticket index benefits will lead to degradation of land use structure

and reduction of quality of cultivated land. Occupation and compensation of cultivated land should not only keep balance in quantity, but also should maintain balance in quality. Many areas have the problem of "occupying good land but compensating bad land". Superficially, the occupation area is equal to compensation area, but due to the quality difference, there is invisible reduction of cultivated land, which is inconsistent with the government policy of "no reduction of quality nor degradation of quality"^[4]. Quality difference and regional limitation cause that much cultivated land after reclamation is not well utilized, or even laid idle, and consequently leading to decrease in cultivated land area ultimately.

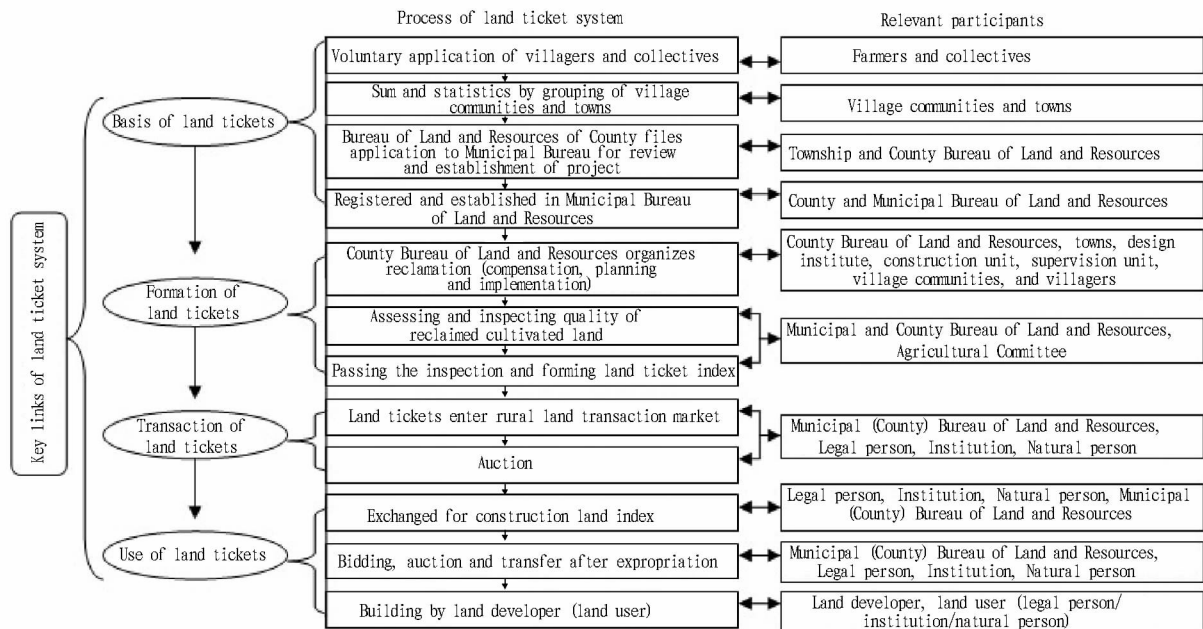


Fig.1 Key links and relevant subjects of land ticket system

1.3 Problems in transaction link of land tickets

1.3.1 Land ticket transaction system is defective and transaction threshold is too high. With several years of development, the land ticket transaction has made certain progress, but it is still to be improved. The *Interim Measures for Management of Rural Land Exchange in Chongqing Municipality* stipulates that all legal persons and natural persons who have independent capacity for civil conduct can buy land ticket through public trade at competitive price. However, the bulk of land ticket transaction needs huge sum of money, which imposes intangible limitation to buyers at land ticket transaction market.

1.3.2 Distribution of income from land tickets is inexplicit. The *Interim Measures for Management of Rural Land Exchange in Chongqing Municipality* stipulates that income from transaction of contractual management right of cultivated land and forest land is in the possession of farmers' family; income from transaction of homestead use right is mostly in the possession of farmers' family, and partly in the possession of rural collective organizations, most of the. And the specific distribution rate is to be negotiated by

farmers' family and rural collective economic organizations. Later, *Opinions of Chongqing Municipal People's Government on Speeding up Promoting New Village Construction and Transformation of Dilapidated Houses* clearly states that 80% of net income of land tickets should be compensated for farmer households, and 20% for village collectives; *Instructions on Regulating Land Ticket Value Use to Promote Reclamation of Rural Collective Construction Land (for Trial Implementation)* also stipulates that after deducting reclamation and financing costs, 85% of land ticket value should be paid to farmer households, and 15% paid to rural collective economic organization. Both documents make improvement for distribution of income from land tickets, but the distribution proportion is clearly different. Which proportion is proper is still to be studied and there is inconsistent of subject status of income distribution in actual operation^[5].

1.3.3 Land tickets mainly serve for construction of downtown areas. From Fig.2, it can be seen that land tickets mainly flow to land reserve institution, industrialestate construction unit, state-owned enterprises, private enterprises and individuals. Owners of

land tickets are firstly land reserve institutions, accounting for 50% ; secondly are park construction unit and private enterprises, accounting for 20% and 22% respectively; thirdly are state-owned enterprises, accounting for 7% ; and individuals account for 1% . From another perspective, it can be said that government keeps more than 70% land tickets, while enterprises and individuals only keep 30% . Besides, according to present provisions of Chongqing Municipality, no matter for government, enterprises or individuals, land tickets are only used for profit-oriented land in downtown areas^[6] .

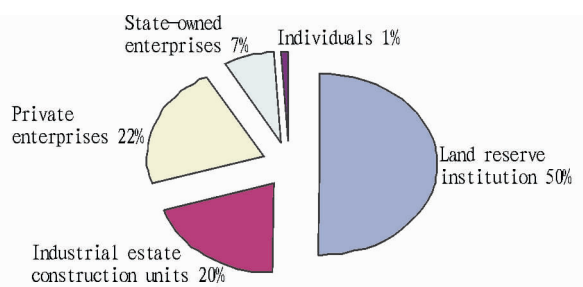


Fig. 2 Chart for proportion of land tickets owned by respective parties

1.4 Problems in use link of land tickets

1.4.1 Influence of double-track system of construction land supply. After land ticket transaction system appears, the construction land index system of Chongqing Municipality has the problem of double-track system: one is state plan index and the other is land ticket exchange index, the former has no compensation, and the latter does. However, there is no clear definition of state plan index and land ticket exchange index in land ticket system. This will inevitably increase corruption risk.

1.4.2 The protection of rights and interests of original ticket holders is not clear. The purchaser of land ticket does not own the right to use construction land which relates to the land ticket index, thus, the index represented by land ticket has to be realized through flowing back to traditional land expropriation process (as shown in Fig. 1). Since transaction of secondary market of land tickets is forbidden, the profit loss incurred from the period of transaction to auction will be assumed by original holder as investment risk. It shows that the protection of rights and interests of original ticket holders is not clear.

1.4.3 Influence of the extremum gap of land income on using of land tickets. The shortage of reasonable distribution mechanism of land benefits is the key reason, which leads to the income from land ticket providing no substantial help for improvement of people's living conditions. Apart from reclamation of homestead, farmers can select left idle, transfer or rent for agricultural production, which might bring them higher income. Thus, for purpose of economic benefits, suburban farmers are unwilling to reclaim construction land to be cultivated land. Therefore, the present land ticket system fails to realize fair sharing of land benefits^[7] . There is no doubt that it's the largest functional drawback of land ticket system and also proves that land ticket system fails to support too much value pursuit.

2 Suspicion of land ticket system grabbing rural resources

2.1 Game between urban and rural areas

(1) Interregional exploitation. Hao Lihua and Du Dequan contend that land ticket transaction is rural construction land index on surface but is land development right in essence^[8] . Bi Baode believes that land development right refers to the right to change nature of land use right. Land ticket transaction changes existing land nature through laws and policies, which is transferred to another piece of land through market mechanism. As shown in Fig. 3, if development opportunity of Region C is transferred to Region B, the Region B will obtain higher development intensity than original land use planning, while Region C will be suffered from strict development limitation due to selling or transferring land development right. Thus, for Region C, after land ticket transaction, the total quantity of land area has no reduction, but the land development right of some part will be limited and the development opportunity is transferred. This is equivalent to the fact that Region B grabs land development right of some land in Region C through the land ticket transaction. This is a form of interregional exploitation. There is another form: through household register system reform combining land ticket transaction, more and more farmers in Region C who have economic strength give up their rural homestead and contractual land, move to urban areas, so they take some rural capital to cities. In the time of land ticket transaction, farmers in backward region C will obtain a lump sum of compensation, but they will lose the basic right of long term development to some extent.

The third form of interregional exploitation: Region B is situated in urban suburbs with developed traffic and fertile soil, while Region C is situated in areas with inconvenient traffic, barren soil, and backward agricultural auxiliary facilities. Using shoddy cultivated land reclaimed in Region C to exchange for high quality fertile cultivated land of Region B, it has to input higher cost than that for Region B, and the result may still be not ideal. Therefore, loss of rural capital will become worse, which will easily lead to Matthew Effect. The fourth interregional exploitation is manifested in urban and rural ownership. Both Region B and Region C belong to rural collective. It is a hidden grabbing of rural resources for using rural collective agricultural land of Region B and rural collective construction land of Region C to turn Region C into rural collective agricultural land through land ticket transaction and make Region B obtain state-owned urban construction land index.

(2) Incremental benefits of occupancy. At the same time of promoting efficiency, land ticket transaction may not necessarily and effectively balance equity. Total volume of land ticket transaction implements planned control. It should not exceed 10% of newly increased construction land planning issued by the state in current year, but it does not mean government generates only 10% index annually. Government reclaims much rural construction land, reserves land ticket index, and the transaction volume of land ticket is not limited by the 10% index. This makes the urban

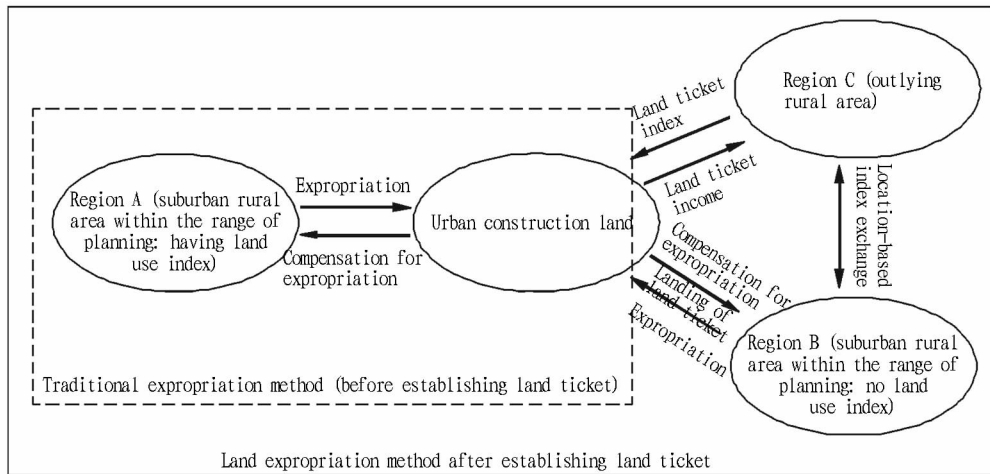


Fig.3 Flow charts for land ticket transaction

development policy of strictly controlling large city development and reasonably developing small and middle cities become an ineffective policy, because land ticket policy can supply land for urban construction limitlessly in theory.

2.2 Game between government and farmers

(1) Government focuses on land finance. After implementing reform of system of tax allocation, local government starts to take income from transferring land as source beyond central financial budget. Chongqing Municipality even takes land finance as the second source of financial revenue. From Table 1, we can see that since 2004, income of Chongqing Municipality from transferring land has been significantly increasing, accounting for about 50% of local financial revenue. Although much income from transaction of land ticket is in the possession of farmers and village collective, the huge sum of land transfer fee generated from landing of large amount of land ticket index as construction land index beyond the plan comes to financial revenue of local government, which stimulates local government to carry out land ticket transaction.

Table 1 Statistics of financial revenue of Chongqing Municipality in 1996 – 2010

Year	Local financial revenue 10 ⁸ yuan	Income from transferring land 10 ⁸ yuan	Percentage of income from transferring land// %
1996	54.94	6.11	11.12
1997	74.53	10.21	13.7
1998	85.81	18.58	21.65
1999	89.89	20.48	22.78
2000	104.46	26.96	25.81
2001	126.41	30.41	24.06
2002	157.87	35.46	22.46
2003	206.93	49.29	23.82
2004	302.44	155.36	51.37
2005	394.96	161.27	40.83
2006	529.46	244.99	46.27
2007	788.56	367.71	46.63
2008	963.33	236.59	24.56
2009	1 190.26	580.51	48.77
2010	1 990.61	947.81	47.61

has no problem of intergenerational exploitation, but it indirectly aggravates intergenerational exploitation. He Xuefeng declares that a new mode of urban exploiting rural areas through intergenerational exploitation has taken shape^[9]. The influence of land ticket system on such exploitation is most significant. At present, once a whole family moves to a city, they will get rid of rural areas completely and it is impossible for them to go back to rural areas^[10]. The land ticket system and household register reform speed up urbanization, but urban areas can not satisfy job demands of more and more migrant workers without limitation. Besides, China's economic industry starts to transform from labor intensive to capital and technology intensive, which requires workers having higher quality. In addition, migrant workers' working cycle is closely related to China's economic cycle and migrant workers' life cycle. Intergenerational exploitation has two forms: one is that the younger generation exploits elder generation, which performs at using parents' rural capital to purchase houses in cities by offspring; another is the exploitation of elder to younger, which performs that, to single-child family, one couple might support two pairs of old man, all of who might lose labor ability and immigrate to city to live with their son or daughter.

3 Countermeasures of solving problems

3.1 Ensuring subject status of farmers in participating in land ticket transaction It is required to ensure farmers participating in the whole transaction process. On the condition of practically implementing strict reclamation and household register status review conditions, it should provide livelihood help for farmers who change their household register status. Also, it should be aware that at current stage of Chinese economic development, keeping integrated urban and rural system that allows farmers to move to cities and go back to countryside is helpful for farmers to properly arrange their living, and favorable for increasing safety factor of China's modernization^[11]. Through strengthening propaganda channels, it is recommended to make farmers deeply understand reclamation and land ticket system, encourage farmers to ac-

(2) Intergenerational exploitation. Land ticket system itself

tively participate in and supervise the whole process of land ticket transaction. Also, it should ensure subject status of farmers in land transaction through establishing relevant laws and regulations, to avoid orienting toward government benefits and ensure the benefits of farmers.

3.2 Strictly implementing homestead reclamation application, review and acceptance standard, to ensure quality of reclaimed cultivated land *Measures for the Administration of the Trial Work of Linking the Increase in Land Used for Urban Construction with the Decrease in Land Used for Rural Construction* issued by Ministry of Land and Natural Resources in 2008 stipulates that it is required to explore circulation of collective construction land following law-abiding, voluntary, paid and regulated principles. In August of the same year, the State Council issued Regulations on Land Reclamation, making clear relevant contents of reclamation and legal liabilities of participating subjects. According to these, it should strengthen supervision of superior authorities and the masses on policy implementation of relevant departments, carry out approval and acceptance of reclamation work of construction land in strict accordance with standards established by the state, to ensure quality of reclaimed cultivated land, guarantee grain security, and realize win-win of increase in farmers' income and increase in yield of land^[12].

3.3 Improving and implementing land ticket transaction and income distribution system It is recommended to strictly implement land use right registration and filing management system, and on the basis of which, distribute properly income of reclaimed farmers from land tickets. In the transaction, it should properly open secondary market of land tickets, which is favorable for fully realizing value of circulation of rural construction land, and guaranteeing legal rights and interests of land ticket holders. Furthermore, it is favorable for promoting rural areas through urban areas and promoting agriculture through industry. Finally, through land ticket index exchange work, it is expected to improve production and living conditions of farmers, and promote moderately large-scale operation of agriculture and development of rural collective economy in land ticket generation areas.

3.4 Improving land ticket landing use system When trying to open secondary transaction market of land tickets, it is proposed to open those land ticket transfer markets that have limited conditions, and do not open land ticket transfer market completely till the operation is mature^[13]. Besides, to prevent developers hoarding and speculating land tickets, we should set time limit of landing after transaction of land tickets, and make clear rights and obligations of subjects within the time limit. We recommend remote counties increasing land use index in accordance with actual de-

mand of their local development, and reducing construction land use index within the planning period of economically developed areas like downtown area.

4 Conclusions

This research analyzed that the inherent drawbacks of land ticket system and wrong guidance of policies lead to suspicion of Land ticket system occupying rural resources, which isn't conducive to social, economic, ecological sustainable development and resource protection. Increase construction land index to satisfy demand of new socialist countryside construction, ensure rural stability, use land ticket index to fill the gap of construction land in economically developed areas, so as to alleviate conflict of urban land use and maximize circulation value of rural construction land. Such mode can maximize circulation value of rural construction land. Through this mode and through city promoting countryside, the land ticket system is helpful for realizing the objective of integrating urban and rural areas, narrowing urban and rural gap, and improving farmers' living conditions.

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