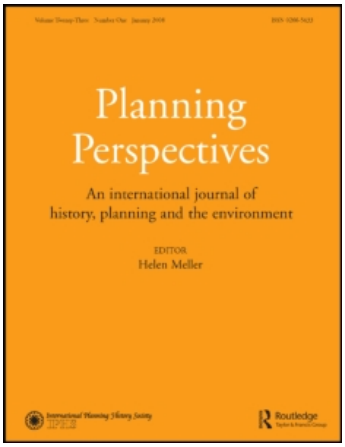
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Chinese housing policy 1949–1978: the development of a welfare system

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To a large extent, recent housing reform in China is a reversal of housing policy in the Mao era. However, little has been written on this historical period. This paper contributes to this important but neglected history of housing policy. It analyses the development of national housing policy between 1949 and 1978. It examines the process of, principles of, and instruments for policy formulation, the nature of Maoist housing policy and its impacts. This paper argues that Maoist housing policy was mainly determined by ideological and political considerations. Housing policy appeared to be insensitive to housing needs but responded well to political and ideological principles. It was part of an integrated national economic and political policy and served the whole national development strategy but not the housing sector alone. Any isolated analysis from a purely housing perspective could lead to misunderstanding.

Introduction

Socialism is not the invention of an individual. It is essentially the outcome of economic and social conditions. The evils that capitalism brings differ in intensity in different countries, but the root cause of the trouble once concerned, the remedy is seen to be the same by thoughtful men and women. The cause is the private ownership of the means of life: the remedy is public ownership. [1]

Socialist ideas can be traced to the writings of some nineteenth century intellectuals such as Robert Owen, Karl Marx and Friedrich Engels [2]. Owen promotes the idea of common ownership and puts it into practice through the establishment of his Utopian villages. Engels in his book, *The Housing Question* [3], completely rejects home ownership as a solution to the housing crisis. In China, the socialist concepts of the Chinese Communist Party (CCP) have been virtually rooted in Marx and Engels' ideology. Socialism is synonymous with public ownership. The CCP has shown its commitment to the abolition of private ownership of the means of production since its foundation in 1921. The abolition by the CCP of private ownership of land by large landlords in rural areas found strong support from farmers in the 1920s–1940s. Land ownership reform proved to be the principal driving force for the success of the socialist revolution of the CCP [4]. Housing was of almost equal importance to the urban citizen as was land to farmers. In 1949, the Chinese Communist Party's coming to power meant the start of fundamental changes in the

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country's political, social and economic policy. As Mao Zedong said, we were destroying an old world and constructing a new world. Socialism was the principle for this new construction. It was an anti-capitalistic and anti-market revolution. The change from private ownership to public ownership was the major instrument of the revolution.

The year of 1949 was the watershed for housing policy. The development of the housing system and the evolution of policy after 1949 contrasted very sharply with the Guomindang (Nationalist) period in both theory and practice. Extensive government involvement and public housing programmes reached their pinnacle only after 1949. Although the provision of public housing and housing subsidy could be said to originate in the Guomindang period, the scale of the government's involvement in housing was very limited. A 1949 survey revealed that 23.3% of *fangwu* (all types of buildings) in Beijing were publicly owned [5] and most of these public *fangwu* were non-residential accommodation (e.g. offices, banks, hospitals, schools, etc.). Only a small proportion was public housing, mainly for staff employed by government bodies. Ordinary workers or low-income households could hardly have access to public housing. For example, in Guangzhou, there was only one public housing building available for rental to low-income residents in 1931 [6] and there were 565 rooms of public housing in Kunming in 1933 [7]. The government's role in the housing sector was rather symbolic. In the following years, the government's attention was focused on the anti-Japanese invasion war and civil war. Thus, China has never enjoyed an effective housing policy prior to 1949. The housing problem was acute on the eve of the new China: there was a severe housing shortage; the housing conditions were alarming, with no proper sewerage or water supply in most housing areas. The notorious slums were well captured by a famous writer, Lao She, in his drama *Longxugou* [8]. These problems were regarded by the CCP as the result of the 'people-eat-people' (exploitation) nature of the capitalist system which pursued maximum profit instead of meeting people's needs. The removal of capitalism or abolition of private ownership was assumed to be able to abolish such exploitation relationships. Public ownership was seen as the guarantee not for profiteering aims but for the general interest of the whole society. This was the key principle which influenced the development of housing policy between 1949 and 1978.

The emphasis in Chinese housing research has been very much upon reform issues [9]. Housing policy between 1949 and 1978, which is a crucial period in the development of the welfare system in the housing sector, has not been adequately explored. The absence of literature about this historical period has led to the difficulty of understanding issues today. Many Western writers on housing reform simply assume that the market mechanism is a solution or even the only solution to China's housing problems and tend to use an ideal market model as a criterion to analyse the present housing system and reform experience, with little consideration of whether such an ideal model works in the Chinese context. As Ball states, such ideal constructs are of little help in understanding the development, operation and problems of an actual housing system, or in improving the system [10]. Marcuse criticizes much contemporary writing for tending to deal with housing issues in isolation, distracting attention from addressing the mechanism of policy development [11]. To remedy such weakness and achieve a better understanding of housing policy, it is necessary to analyse and comprehend policies from a historical perspective [12]. This paper contributes to this important but neglected history of housing policy. It analyses the

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development of national housing policy between 1949 and 1978 and examines the process of, principles of and instruments for policy formulation, the nature of Maoist housing policy and its impacts.

Housing policy is susceptible to political and ideological considerations in any country. The difference is that in China the pursuit of political and ideological goals is particularly strong in forming its housing policy [13]. Housing policy appears to be insensitive to housing needs but responds well to political and ideological principles. It is part of an integrated national economic and political policy and serves the whole national development strategy, but not the housing sector alone. Any isolated analysis from a purely housing perspective could lead to misunderstanding.

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A controlled market 1949–1955

The impacts of the 1949 revolution were astonishing. Chai and Chai stated that there was nothing that did not change after liberation. China, once the most conservative nation, had become the most radical, determined to destroy the old traditions and systems. A new political concept and ideology was being driven into Chinese society [14]. The very structure of the social, political and economic systems was undergoing fundamental change. But such changes did not come immediately after the success of the 1949 revolution. The CCP chose to adopt a gradual approach to its cause because not all features of China's pre-1949 institutions and policies were anti-revolutionary or acted as barriers to progress. Many characteristics of Chinese traditional resources could play an important role in facilitating the development of the new systems in particular circumstances, for example during the early stage of the People's Republic. It was difficult, if not impossible, to immediately introduce a brand new system of central planning and control if China did not have the co-operation of those businessmen and managerial staff already experienced in running complex organisations [15]. This could explain why the CCP did not have a clean break with the past and initially chose to supervise rather than to completely remove the housing market inherited from the Guomindang period. This ability to use rival or neutral forces to serve its own purpose was one of the CCP's political assets which helped to ensure a smooth system transition after the 1949 revolution.

On the eve of liberation, the housing problem was at a catastrophic level. There were massive housing shortages and substandard housing. Much worse, developers took advantage of the disastrous national conditions such as the severe housing problem, the political chaos and the mega-inflation in the late 1940s, to conduct extremely speculative and profiteering activities [16]. As a result, rents drastically increased to a very high level. For example, in Wuhan, a three-room house in the central area cost 120 yuan [17] per month. This was more than twice the starting salary of a university graduate. Some landlords also required tenants to be responsible for maintaining their rented housing, so these tenants had to find extra money to repair their housing. Rents in Shanghai were much higher than in many other cities. For example, the Hardoon family [18] charged 2700 yuan per month for rental of an old house in Nanjing Road and an extra fee of about 10 000 yuan had to be paid before the tenant moved in [19]. In Guangzhou, rents increased by 20 times between 1945 and 1949 [20]. Compared with Britain where the housing price increased

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56% between 1939 and 1946 [21], the disorder of the housing market in China was obvious. Speculation and profiteering activities further exacerbated the housing situation.

The CCP was quite aware of the severity of the housing problem. However, it had no intention of tackling the problem when military operations were still underway. Military affairs occupied most of the attention of the CCP. All other activities were directed towards this purpose. This was also the case for housing. On 20 December 1948, the CCP Central Committee announced its first housing policy document 'Issues about Housing Property in Cities' [22], which urged the People's Army to take over the Guomindang's [23] property and establish new institutions to manage such housing property. Such a policy of confiscating property was not against the ordinary citizen or small-scale property owners. This policy did not represent the ideological philosophy of CCP but was introduced rather to serve as a political tactic for the CCP to win the support of the national majority to defeat the Guomindang. The CCP divided people into different categories. One category was 'friends' or those who could be friends under certain circumstances; another category was 'enemies'. Mao's strategy was always to unite as many people as possible. Housing policy under these circumstances was intended to serve the same purpose. It was aimed only against the 'enemies' such as the Guomindang and intended to protect the interests of 'friends', because the overwhelming target of CCP at that time was to win the civil war. On the eve of the founding of the People's Republic, on 11 August 1949, the CCP re-announced their housing and property policy [24]. It demanded the expropriation of anti-revolutionists and larger property companies, especially those properties owned by Guomindang officials or their relatives, and recognized the private ownership of ordinary citizens and allowed the market force to operate properly and legally. 'Properly' and 'legally' were carefully chosen words to indicate the future government's commitment to prohibit speculation and profiteering activities in the housing and land market.

It is true that the CCP sought support from businessmen – especially medium-scale or small-scale nationalist employers. The inexperience of the CCP in business administration demanded the co-operation of businessmen in economic affairs, especially at the early stage of the new government. Businessmen were regarded as those who could become the CCP's friends or partners in socialist construction. Therefore their property was protected by the CCP. In 1951, the new government again addressed the differences in dealing with the property of enemies and friends in two documents, 'Expropriation of Warlords, Traitors, Bureaucrat-capitalists and Anti-revolutionists', and 'Expropriation of Anti-revolutionary Criminals'. Shortly after 1949, the government's housing policy concentrated on the confiscation, property registration, and establishment of new housing institutions.

On 28 June 1950, the Land Reform Act was validated, which abolished the land market by prohibiting land transaction either through rent or sale [25]. The 1950 Land Reform Act shows the government was in great favour of urban industry and business development. Landowners, especially large landowners, were classified as the people's enemies, but their industrial and commercial property and land which directly involved industrial and business activities were exempt from expropriation [26]. The government worried that any radical action on industry and business could affect initiatives of businessmen in co-operating with the CCP and therefore damage the national economy. It chose to be cautious in dealing with urban and industrial affairs including housing. Mao once said that the economic development of new China was a test for him and the CCP. The final victory of the CCP

depended on the country's economic success, otherwise the CCP could not survive long even after the military victory [27]. In the housing sector, the government restricted its policy only to tackling speculation and profiteering activities. In the early years of new China, the private rental market behaviours could be classified into four types:

1. landlords sought illegal profits by charging tenants extra fees;
2. landlords took advantage of housing shortages to increase rents to an unreasonable level;
3. fair rents were negotiated between landlords and tenents, such rents normally included depreciation, maintenance, tax and reasonable profits;
4. non-profit rents, where rents were low because of poor housing conditions.

Local government was empowered to take action to prohibit any sub-charges and restrict high rents and encouraged to negotiate fair rents between landlords and tenants. But the severe housing shortage still meant that landlords were in a good position to 'negotiate' a high rent. For example, in Guangzhou, the average rent per square metre almost doubled between 1950 and 1955 from 0.29 yuan to 0.55 yuan. In Nanjing, rent increased 2 to 6 times between 1951 and 1955. The ratio of rent to an average household income was as high as 20% in Guangzhou, which was more than twice that of the national average in cities (8–10%). There was a great variation in rent charges in different cities. The private rental housing market was still out of effective control [28]. Therefore, rent control was introduced to stabilize the rapidly rising rent charges because of the severe imbalance between housing supply and demand and the existence of speculation. But such control only targeted unreasonably high rents. Landlords were still given room for adjusting their rents within the limits set by the government.

Socialist transformation 1956–1966

In the process of socialist transformation, fundamental changes, virtually rooted in Communist ideology, were made for restructuring political, social and economic systems as well as for remodelling the Chinese people's thought [29]. The emergence and development of the socialist system in China followed a different course from many other socialist countries. It took a more modest and gradual approach in terms of transformation. Except for property held by war criminals and anti-revolutionaries, China did not confiscate privately-owned property. Instead, the transition from private ownership to public ownership was implemented through the 'purchase' of this property. The main purpose of the transformation was to strengthen the government's powers of effective control over the private housing sector, including rent, repair and management [30], and paved the way for finally removing the functioning of the private sector and for changing the ownership of private rented housing into a public one. It also educated landlords to become self-reliant workers rather than simply making a living on rents.

On the eve of the socialist transformation in early 1956, the CCP Central Committee distributed the CCP secretariat's *Report on Urban Private Housing Property and Suggestions for Socialist Transformation* [31], which revealed that most of the housing stock remained in the private sector in many cities in 1955; for example, 53.9% in Beijing,

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54% in Tianjin, 66% in Shanghai and 61.3% in Nanjing. There was also an unequal distribution of the stock. Housing was concentrated in the hands of large landlords. In Beijing, 88.4% of private housing was owned by large landlords. On the other hand, the majority of the working class lived in overcrowded or substandard conditions. Housing shortage and overcrowding were still the major problems which caused the government concern. For example, in Shanghai the average living space per capita was 3.39 m^2 and more than one million people lived in the slums [32]. The domination of private ownership was hindering the CCP's efforts to achieve the socialist goals.

Disorder was obviously to be seen in the private rental housing market. Rents were very unstable and varied a great deal from place to place. For example, rent ranged from 0.13 to 0.33 yuan per square metre in Shanghai but averaged just 0.16 yuan per square metre in Shenyang. It was often too high; for example, it was 50% higher than that of public housing in Beijing [33]. Equally serious, however, was the fact that many landlords refused to let their property out, partly because they feared that the implementation of rent control would eventually force them to keep rents excessively low and make letting unprofitable. In fact, in some cities like Jinan and Harbin, the rents of private housing were already lower than those of public housing. Some tenants even withheld the rents. However, the more serious reason could have been that landlords feared to be a landlord owing to the increasing awareness of the class struggle [34]. 'In the volatile political climate in the 1950s, it was not prudent to lay oneself open to the charge of being a member of an exploiting class' [35]. In the light of these considerations, some landlords lost their initiative to let or maintain their property. This situation resulted in the inefficient use and disrepair of the private rental housing sector and accelerating deterioration of housing conditions. The CCP argued that this was the result of the contradiction between private ownership and the socialist system. Therefore, the socialist transformation should be extended to the private rental housing setor. The report recommended three types of socialist transformation in the housing sector.

1. State management. The state took control over private rented housing in terms of allocation, rent standards, maintenance and day-to-day management, while landlords retained the nominal ownership of their property. They received their 'rent' or 'profit' from the state instead of from the tenants. But the direct linkage between private landlords and tenants was cut off. Therefore, this approach abolished the possibility of private landlords charging tenants unlawfully high rents and became the CCP's favourite form of socialist transformation.
2. Public–private partnership. Nationalist businessmen were always classified by the CCP as a neutral political force which could be its supporters or co-operators in the socialist cause. Their business skills and experience were also valuable for the CCP's economic pursuits. Therefore, it was very natural that the CCP suggested the formation of a public–private partnership with private housing companies and large landlords to run their rental housing business. Through the partnership, the CCP could achieve its dual targets of effective intervention and learning management skills.
3. A regulation approach. The management of small landlords' letting business involved a regulation approach. The state did not directly involve itself in their business but regulated these landlords in order to get them to stick to the government's policies and to avoid rent speculation and profiteering behaviour.

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In January 1956, the CCP estimated that the socialist transformation could be completed within one or two years. However, the process of the transformation in the private housing sector was far slower than expected. By early 1958, the cities which had embarked on the process were only one-fifth of the total and the situation in townships was much worse. The most likely reason for the slow progress was more technical than political, i.e. the ambiguity of criteria for the socialist transformation. On 12 March 1958, the CCP released another report, *Report on the Transformation of Urban Private Housing* [36] which was intended to solve this issue. This report was a clarification of the 1956 report. It directed its attention to the practical problems involved in socialist transformation. First, what kinds of housing should be transformed? It stated that socialist transformation applied only to landlords with rental housing over 150 m^2 floor space in large cities and below this standard [37] in other urban areas. The report preferred state management to public–private partnership as the major form of socialist transformation because public–private partnership involved complex accountability problems. Income for those whose property was under state management or in public–private partnership was fixed in this report. Their income was fixed at a rate of between 20% and 40% of rent income charged by the state to tenants. These measures facilitated the process of transformation. For example, in 1958, Guangzhou spent only several months in transforming 17 000 buildings with a total floor space of 2.5×10^6 m^2, which involved 7798 landlords. Several years later, another 2.86×10^6 m^2 was transformed. The transformation action continued until June 1966 when the Cultural Revolution started [38]. In Kunming, the transformed rental housing accounted for 479 957 m^2, which affected 3158 landlords, of whom 563 had less than 100 m^2 rental housing each [39]. By 1964, all the cities and one-third of townships had finished the socialist transformation of the private rental sector. In all, 1×10^9 m^2 floor space was transformed which accounted for 70% of the total private rental housing stock. The rest of the stock was in the hands of very small landlords who had less than 100 m^2 (in medium-sized cities) or 50 m^2 (in townships) rental housing each [40]. These small landlords could not have any significant effect on the operation of the socialist housing system and furthermore they were regulated on the issue of rent. The state controlled the management, allocation and rent of the 'transformed' private rental housing with a constant compensation. The compensation was paid out in the form of fixed rents or *tingxu* (fixed interest) which was between 20% and 40% of rent income. By 1966, the state decided to transfer all 'transformed' private rental housing into state ownership [41]. The government believed that landlords received their capital returns from the payment of constant compensation. Therefore the socialist transformation was also regarded as socialist 'purchase' of private-owned property. Its gradual approach represented a subtle variant of outright seizure by the state [42] as well as the CCP's respect for professional and managerial personnel. The impact of socialist transformation on housing was the dramatic decrease of the private rental sector. In 1956, 95% of urban land was already under state ownership and less than 5% of rented sector housing remained in private control. In 1966, the housing market had been virtually removed. The state took on the responsibility for urban housing provision, allocation, maintenance and management through local municipal housing departments or work units. Housing was no longer regarded as a commodity but a component of state welfare [43]. The government had reached its political and ideological goals through the socialist transformation.

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The anti-urban decentralization campaign 1966–78

Since liberation in 1949, the government's policy had always been urban-orientated. Urban industrial development was given great priority over rural areas. But in the mid-1960s, two important events happened in modern China's history: the break-up of the Sino-Soviet relationship and the Cultural Revolution, which shifted the direction of Chinese leaders' views about the world and resulted in strategic adjustment in China's domestic policy. The war between China and the former Soviet Union on China's northern border increased the fear that a Third World War was inevitable in the future. This prediction overwhelmed people's minds. With the possibility of a Third World War in mind, concentrated urban industrial development was regarded as a dangerous strategy because it was easily attacked by enemies, especially from the air. Anti-air attack became a major consideration for choosing new industrial locations. The results were to avoid or to reduce the number of new industrial projects in urban areas. Between 1966 and 1971, 'all new factories were located in mountain valleys and caves, they were also required to be built not to reveal their industrial appearances. Urban construction virtually stopped [44].

Anti-urban decentralization policies (*sanxian*) not only affected urban industrial construction but also the urban non-productive sector, such as housing. In 1966–70, the proportion of urban non-productive investment to the total Basic Construction Investment experienced a sharp decrease from 2.9% to 1.8%. Some cities even stopped all non-productive investment [45]. The Cultural Revolution (1966–76) moved this anti-urban campaign further forward. It was highly recommended by the government to use low-standard materials and techniques to build housing in order to reduce the construction cost. This was also regarded as a measure to reduce the inequality in living standards between cities and the countryside. In other words, attempts were made to reduce the priority of urban citizens over farmers in welfare benefits. One of the objectives of the Cultural Revolution was to purify the socialist revolution and to cut off the capitalist tail. The Red Guard asserted the right to uphold socialism and pursued '*yida ergong*' (large-scale public ownership). Private ownership was inevitably a target to attack. A considerable amount of privately owned housing was impounded and occupied by the Red Guard; for example, 1.24×10^6 m^2 in Shanghai [46], and 17 730 m^2 in Kunming [47]. After the Cultural Revolution, the proportion of private ownership in urban housing was reduced to below 10% of the total housing stock. In some cities, the percentage of private ownership was less than 4% [48].

To many observers, the years 1966–78 were a period of stagnation in the national economy as well as in the housing sector. This was true in terms of housing construction. But this was an important period when welfare thinking continued to expand and pure socialism was formed. It was conventionally known as the left-wing shift in modern Chinese history. Low investment in housing did worsen the severe housing shortage. But low investment should not be regarded as a shortcoming of the housing system. It was rather an attitude problem of investment priority. By 1978, the welfare housing system was well established. The central feature of the system was that the state had overall control over the housing sector in terms of ownership, provision, distribution and management. Each of these areas operated in line with socialist and political ideology. In the following sections, we examine the main characteristics of the welfare housing system and the factors which shaped the system.

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Low rent policy

The motives for a low rent policy were primarily political and ideological. The attempt to abolish the exploitation relationship in the housing sector led to the expropriation of rental housing from the former large private landlords and the introduction of rent control to the remaining small landlords. After the socialist transformation, the housing market, or more precisely the market mechanism, was virtually removed. The state acted as landlord. It would not charge its tenants (mainly the working class) any profit component in the rents. To the CCP Marxist interpreters, state control over housing was the best guarantee for avoiding exploitation. There was only one practical problem, namely how much exactly the state could charge its tenants. At the very foundation of new China, the CCP drew attention to this issue. It set a rent standard based on two elements. First, to ensure that the amount of rent charged would not affect tenants' living standards; and second, rent should cover the maintenance fee. Actual rents were searching for a balance between the two factors. In the early 1950s, the CCP calculated rents according to this principle. The average rent for public housing was 0.3 yuan per square metre of living space [49].

Rent was fixed until further policy was released by the government. But the formulation of rent policy seemed to be isolated from economic considerations and only responded to the political and ideological environment. Every left-ward shift in China's political movement led to a downward adjustment of rents. Mao Zedong asked his people to continue its revolution after the foundation of new China. But many people understood Mao's continuous revolution as a movement from left to left, from welfare to welfare, or seeking the growth of welfare. Inevitably they reduced rents when political movements came about. In 1958, the Great Leap Forward started; 'this communist wind [50]' brought a widespread reduction in rent. In Guangzhou the proportion of rent to household income decreased from 9.13% in 1951 to 8.41% in 1958. In 1966, when the Cultural Revolution began, another left-ward movement further reduced rent to only 0.11 yuan per square metre in Guangzhou. Because of the increase in wages and frozen rents, the ratio of rent to income decreased more dramatically from 7% of income in 1966 to only 1.2% in 1986 [51]. In the 1980s, the average rent accounted only for about 1% of income. In some cities, rents were much less than this. For example, in Kunming, rent was only 21.8% of that in Shanghai, 26.8% of that in Guiyang, and 39.2% of that in Beijing. Rent became a nominal charge to tenants. It lost any economic significance.

Housing provision

After 1949, although the government did not prevent private housing provision in theory, it became extremely difficult for private landlords to build private housing for letting. First, all land available for housing construction was taken into state ownership at the time of the liberation. State control over urban land made it impossible for the private sector to buy land for building housing for profit. Even self-build was extremely difficult. Second, the socialist transformation movement started in 1956. Any rental housing with 150 m^2 floor space in large cities or 100 m^2 in other cities or 50 m^2 in townships had to be transformed,

and this was later transferred into state ownership in 1966. Third, rent control was introduced and it applied to all rental housing which was not transformed because of its small scale. Rent control made landlords' investment in housing unprofitable. Under this situation, even the existing stock had to be transformed into public ownership. No one wanted to build more than 50 m^2 housing for rental purposes. The state's instruments successfully stopped the potential of private housing provision.

Housing became the sole responsibility of the government under the socialist system. Interestingly enough, public housing provision had not been extended to the countryside. This indicated that the government's strategy had shifted from the countryside to the urban areas since liberation. It favoured urban citizens rather than farmers in socialist welfare. The welfare housing system was an urban island in China. In the countryside, private ownership or owner-occupiers dominated the housing sector. The government did not interfere with the rural housing since virtually no rental or property market existed there. Farmers had to take care of themselves in housing affairs. On the other hand, the government felt that the urban housing sector under state control was of significance to the planned development of the national economy. First, without the private market in operation, urbanization could be easier to control. Farmers could not find housing in the cities and this would discourage non-planned rural–urban migration. Second, public housing as a reward to urban citizens could stimulate the initiatives of urban citizens in urban industrial construction. Socially, China was divided into two classes: urban and rural. China's welfare housing system applied only to the urban class.

There were also distinctions within the urban class. Public housing followed these differences. Housing was again serving political and social purposes. Accordingly, public housing was divided into different categories. First, the state directly provided public housing which was normally managed by municipal government housing departments; second, state-owned work units built housing for their employees; third, collectively owned work units built housing for their employees. The government promoted an intergrated model of living and working by requiring employers to provide housing directly for their employees. A work unit served as a self-contained society (see a detailed discussion of the work-unit system in a later section). Its ideas could be traced back to those of socialist Utopians such as Robert Owen – collective living and collective working. But as soon as the government finished its socialist transformation, its attention was on the growth of the national economy. 'First production, then living' was a popular slogan in the 1950s and 1960s. It was often interpreted as a socialist logic. Living was a personal interest. The public interest was to accumulate wealth for the nation. Personal sacrifice in living conditions was regarded as an indicator of advanced socialist thought. In the first two decades after liberation, there was a severe housing shortage. Housing needs were great, but surprisingly, the great housing needs did not get transferred into housing demand. There was little demand for housing. This could only be explained by the spiritual magic created by Mao Zedong. The spiritual satisfaction in the process of socialist construction overwhelmed personal physical needs. The old Chinese saying that 'there are houses made of gold and silver, but I would rather stay in huts' best described the people's attitudes towards the housing situation at that time. Any pure quantity analysis could mislead the understanding of the actual housing situation. In terms of people's satisfaction, there was no housing problem although there was a severe housing shortage.

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The form of public housing

Socialist ideology not only determined the principles of the housing system but also shaped the form of public housing. Public housing gave socialist living a physical expression. The detached or semi-detached house was a representative of individualism and certainly it was not the choice for socialists. Group ideas for living were close to the socialist expression. Planners chose to build multi-storey buildings which were organized into groups. Several groups formed a neighbourhood unit. Each neighbourhood unit was named as a new village. The planning approach sought to provide housing with socialist functions and symbolism. 'Socialist neighbourhoods, favoured for organizing a more collective way of life, are claimed to be the catalyst for real change in social behaviour' [52]. Ater the founding of the People's Republic, the government immediately inaugurated urban reconstruction programmes to clear slums and insanitary, unsafe housing [53]. On the other hand, the construction of public housing in the form of new villages was launched to meet the housing shortage. For example in Shanghai, in the first three years of liberation, more than 360 000 m^2 of new village-style public housing was built. *Shaoyang Xinsheng* was the first planned new village, which started in 1951 (Fig. 1). The new village occupied 158.5 hectares of land. It consisted of 2- to 4-storey blocks. Two-storey blocks were designated for 1002 households of advanced workers. The dominant type of housing in the new village was the one-bedroom housing unit, mixed with some two-bedroom units. The average floor space per unit was 30 m^2. Three or four households shared a kitchen or toilet. But compared with living conditions before 1949, this was a big improvement. In 1953 alone, 1.1×10^6 m^2 of new housing was completed in Shanghai. *Shaoyang Xinsheng* was the most successful example of working-class housing and housed a population of 130 000 with a total floor space of 1.12×10^6 m^2 [54].



Figure 1. *Shaoyang Xinsheng* residential plan in Shanghai in the 1950s. (Source: Editorial Board, *Shanghai Housing 1949–1990*, Shanghai: Shanghai Universal Science Press, 1993.)

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In 1958, the concept of satellite towns was introduced in large cities like Shanghai (Fig. 2). Although the idea of satellite towns could be traced to Dr Shen Yat-sen's ambitions as expressed in the Greater Shanghai Plan and Greater Guangzhou Plan in the 1920s [55], it was first implemented in Mao's China in the late 1950s. This was the result of the rapid industrial development during the Great Leap Forward. The building of urban new villages in new towns was created to match the expansion of industrial development in suburbs and brought people to live close to their work places. They were usually 20–30 km away from the major cities and each satellite new town consisted of 4 to 5 urban new villages which each housed a population of 30 000 – 50 000. In the 1950s and 1960s, five new towns were built in Shanghai. Planners were given more flexibility in terms of housing planning, design and facilities. Housing standards were higher than those in city centre areas. New towns were further developed in the 1970s and 1980s [56].

New town development was a major strategy to control the population and housing density in the city centre area. Housing standards of individual units were under tight control. The government promoted standard living rather than variety. Housing was normally divided into four categories in terms of floor space per unit (see Table 1). People's choice for housing was restricted by the criteria of housing standards set by the government. The improvement of an individual's housing depended on his social status or political or professional qualifications. Housing was an indicator or reward of work performance. The national economic development only had slight influence over people's housing standards. Table 2 shows the improvement of overall housing standards in Shanghai. In the late 1960s and 1970s, the most



Figure 2. Satellite towns in Shanghai (Source: provided by J. Zhu in 1993.)

Table 1. Housing standards in China 1983

Housing standards (m^2 per housing unit)	Allocation requirements/Qualification
45–50	Staff in newly established enterprises/non-profit work units
50–55	Staff in old enterprises or large-scale work units
60–70	Officials at county level government bodies, and professionals with qualifications of engineers, or equivalent
80–90	Officials at provincial government bodies, and professionals with qualifications of senior engineers or equivalent

Source: Yunnan Construction Committee and Yunnan Planning Committee, *Notice on Tight Control of Housing Standards*, 1990.

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significant improvement was the sole use of kitchen and toilet. Self-dignity and privacy was respected in housing design. The government showed its commitment to improving housing conditions when the economic capacity allowed it to do so.

In order to solve the problem of housing shortage, standardized house building technology was introduced. Standard design and building components were widely used to speed up the rate of house building and reduce the housing cost. There was a trend to build high-rise housing. In the early 1950s, the majority of housing blocks were 2- to 3-storey buildings. Between 1954 and 1958, 3- to 4-storey buildings dominated housing construction. Most buildings before 1958 were brick–wood structures. The advance in housing materials and technology made it possible to build higher-storey buildings without increasing construction cost per square metre. In the 1960s and 1970s, 5- to 6-storey walk-up apartment buildings became the main design of public housing (Fig. 3). In the late 1970s, high-rise blocks (Fig. 4) became a favourite form of living in China. They were regarded as effective solutions to housing problems.

The influence of socialist ideology on the housing form and planning was persistent throughout the period 1949–1978 and even afterwars. The post-1978 housing form still clearly reflects the grouping and collective way of organization in housing design and planning. Standardized housing units prevent the desire to show different living at the individual or household levels. The individuals' difference or identity is indicated in 'group form' through the grouping organization of different styles or heights of buildings in a neighbourhood (Figs 5 and 6).

Table 2. The improvement of housing design standards over the period 1950–1975 in Shanghai

Year	Average storeys of each housing block	Floor space per unit	Kitchen	Toilet
1950–53	2–3	27.5	shared	shared
1954–58	3–4	27.0	shared	shared
1959–66	4–5	34.3	shared	shared
1967–74	5–6	37.1	sole use	shared
1975–84	5–6	42.5	sole use	sole use

Source: R.L. Shang and Y.J. Zhong, *Every Household Has A Flat*, Shanghai: Tongji University Press, 1989, p. 152.

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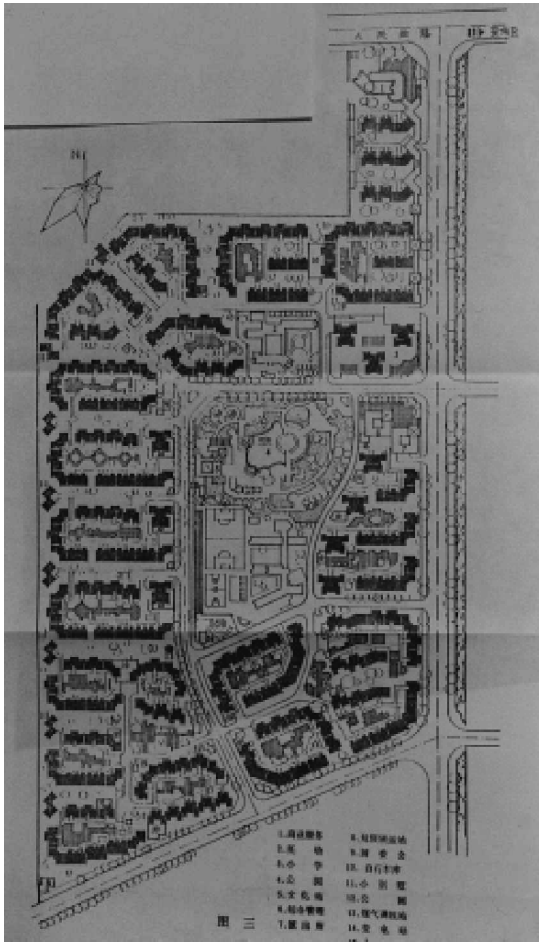


Figure 3. *Chunyuan* residential plan in Kunming in 1990s. Virtually all buildings are 6 storeys. The plan uses the concept of traditional courtyards to organize residential groups which form a large neighbourhood. Public facilities are placed at the centre of the residential neigbourhood. (Source: provided by X. Liu during the author's 1994 fieldwork in Kunming.)

The linkage between work units and housing services

The comprehensive scope of the welfare housing system cannot be fully understood without a discussion of the *danwei* system. *Danwei* (work units) is not simply a place of work and earning a living. It has many other economic, political and social functions and plays a crucial role in organizing its employees' lives. Many political activities and social services are administered through work units [57]. Most public housing was financed, built, owned and managed by work units. The First National Housing Survey showed that 90% of public housing was owned by work units and only 10% by the government [58]. In an



Figure 4. High-rise housing in Beijing (Source: Editorial Board, *Modern China Urban Construction*, Beijing: China Social Science Press, 1990.)

interview with an official of Yunnan Provincial Planning Commission in 1994, he explained that most public housing was funded by work units themselves. Although the work units' housing investment was classified as public investment, which had to be budgeted by the government based on the Basic Construction Investment Scheme [59], the government did not directly provide any housing funds to enterprises since its 1949 revolution, except for new industrial projects. Work units' housing funds came from their own surpluses. Work units' housing investment depended on their overall economic performance. In other words, work units' performance was directly linked to their welfare including housing, health services, etc. This could encourage competition for better productive performance among different work units. It showed how the pursuit of welfare instead of profits in socialist

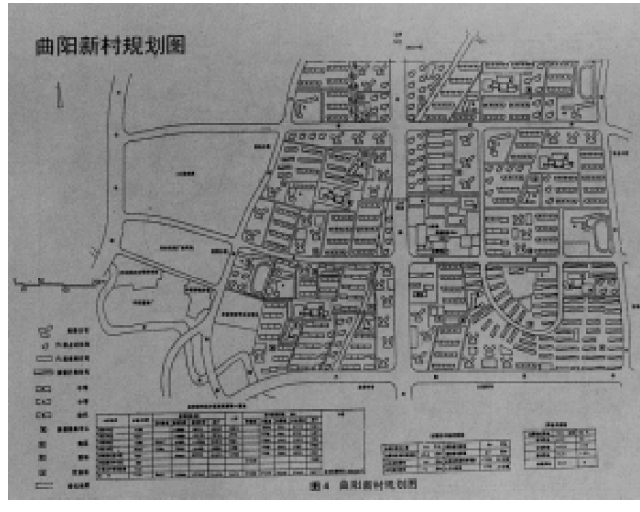


Figure 5. *Quyang Xinsheng* residential plan in Shanghai in the 1980s. The plan uses different styles of buildings to reflect its grouping ideas. (Source: Editorial Board, *Shanghai Housing 1949–1990*, Shanghai: Shanghai Universal Science Press, 1993.)

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Figure 6. Model of the International Airport Residential Plan in Xiamen in the 1990s. The plan uses different styles and heights of buildings to organize/identify residential groups. (Source: *Chinese City Planning Review*, **1**, 1996.)

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production could still keep competitive mechanisms working, which resulted in inequalities in housing conditions among different work units. However, it was such differences that generated the dynamics of competition in production.

The powers over the allocation of public housing were concentrated in the hands of individual work units. With very few exceptions, even the government-owned housing was also allocated to work units rather than directly to residents. Virtually, all housing units (both government-owned and work-unit-owned) were allocated to workers through work units. The government normally did not have direct control over work units' housing allocation nor had direct contacts with its tenants. However, all work units' housing allocation criteria must reflect the government's objectives of the housing policy. The government used public housing as an instrument to build the social structure and the government's priority values. The allocation of public housing was separated from the economic capacity of a person and rent was so low that anyone could afford it. Housing was used as an incentive to boost the productivity of employees. The allocation of housing was linked to the contribution a potential tenant could make to the country and it was not closely related to people's actual housing needs. To make a contribution, a person at least needed to work. Working was the first premise to qualify for public housing and get onto the waiting list. A person making a greater contribution was given higher social rank or status. Social status could be taken to equate roughly with a person's contribution to society. Therefore, it was not very difficult to understand why the points system, based mainly on employees' contribution, gave most weight to social status and the length of service. A person's social status could decide *what* housing he was qualified for and the length of service could influence *when* he could be allocated a housing unit corresponding to his social status. Other factors, such as household size and composition and current housing condition, which indicated the housing needs, were less important.

Since a person's performance or contribution could be best judged and monitored by his

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work unit, the work units' control over housing services could ensure that the housing allocation accurately reflected the socialist distribution principle of 'to each according to his work' (*anlao fenpei*). In other words, a person's housing situation depended on his own work performance and a work unit's overall housing condition depended on the work unit's performance. Better performance produced better economic capacity, which in turn produced better housing for the employees. The linkage between housing services and work units could best represent the linkage between housing allocation and work performance and Mao's philosophy of 'self-reliance'. It made people tend to rethink their own work performance rather than to complain about the government when suffering from housing hardship. The deep penetration of work units into employees' lives seemed to have helped to develop employees' loyalty to their work units and reduce the potential of labour mobility. The integration of work and living through the *danwei* system ensured the maximum exposure of people to the socialist ideas of 'collective living' (*jiti shenghuo*) and proved to be an effective way to educate people to be socialists.

However, the *danwei* system also resulted in inequalities in housing conditions among different work units, which were not due to their performance. *Danwei* varies in terms of importance in the process of socialist construction. State-owned work units were more prestigious than those collectively-owned. Key enterprises were given the highest priority in resource allocation and their economic situation was normally good enough to be able to provide better housing for the employees, while less prestigious work units' housing conditions found it more difficult to get a chance to improve. The linkage between work units and housing services increased the disadvantages of less prestigious work units in attracting an excellent work force. The greatest difficulty was faced by employees of collective enterprises and those loss-making state-owned work units, which had too few resources to provide better housing for their employees. On the other hand, the concept of contribution was sometimes also linked to a person's ideological and political performance or thought advancement, particularly at a time of political movement. Those with politically correct 'backgrounds' could have a better chance of being allocated better housing than those without. People might be forced to move to less satisfactory housing if they were politically reclassified. Millions of urban youths were sent to the countryside to receive their political and ideological re-education. Their urban *hukou* registration was cancelled and their access to urban housing was denied. They were allocated rural housing (normally these conditions were worse than those of urban housing) in order to train their strong socialist will through bitter living to appreciate their urban living standard when they got back to cities [60]. However, this was not the objective of housing policy, rather it revealed the impact of political and ideological factors on housing policy in China.

As the World Bank [61] and other researchers [62] have indicated, the linkage beween work units and housing services also has many disadvantages. One of those was that people's housing choices of location, size, quality and tenure were deprived. It also affected the gender equality between men and women. In China, generally both the husband and wife work. In most cases, they work at different work units. However, China's housing policy only allows a spouse to enjoy one work unit's housing benefits (either the husband's or wife's). Normally, a household chooses a husband's work unit for housing allocation because in this case the often higher social status of the man can be taken into account in the points system when the husband is the principal applicant. Therefore, most wives live in

their husband's work units. Owing to the proximity of housing to work units, it is very difficult, if not impossible, for the allocated housing unit to be located midway or somewhere convenient for both husband and wife. This means that most wives must commute to their own *danwei* to work and spend more time on these journeys. Living in the husband's work units makes them isolated from their colleagues and this affects their chances of promotion. The woman's independent social status in new China has been undermined by living in the husband's circles [63].

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Whose welfare: control over rural–urban migration

In many capitalist societies, like Britain, social welfare benefits are offered with coverage for the nation's entire population [64]. In contrast, only urban citizens are entitled to welfare benefits in China. The rural–urban distinctions are institutionalized by the *hukou* system (the household registration system). It divides China into a country of 'two nations'. One is urban China, another is rural China. It is extremely difficult for rural citizens to cross the invisible 'barrier' – *hukou* between the 'two nations' on their own initiative. *Hukou* is an important indicator of social status. An urban (*chengshi*) *hukou* status serves as an entry to welfare benefits. Housing, education, health care and other welfare benefits are all linked to the urban *hukou* status. *Hukou*, rather than places of residence or work, played the most important role in deciding whether a person was entitled to welfare benefits. For example, even if a person was employed by the urban sector and lived in the urban area, if he was not awarded the urban *hukou* status, he was still treated like a farmer in term of social welfare. He had no access to public housing although he might be provided a bed space in dormitories during his work contract. Not only housing, but also the supply of essential daily living stuffs such as food and cloth, were linked to the *hukou* system, which was very effective in controlling non-planned rural–urban migration and in eliminating squatter settlements in the urban areas. It reduced the pressure for housing caused by potential massive migration and the extent of housing shortage. Before the *hukou* system was effectively implemented in 1958, rural–urban migration had driven up the state's non-productive expenditure in housing and other welfare benefits and competed with industrial investment. It was estimated that housing costs alone for rural migrants between 1953 and 1957 were as high as 70–80% of the country's total industrial investment in 1956 [65]. The influx of numerous unauthorized rural migrants into cities was a challenge to the socialist ideology of central control and planning. It was a threat to the government's goal of full urban employment and the implementation of the investment strategy of industrial priority [66]. Therefore the government made it clear that the *hukou* system was introduced to 'maintain social order, protect citizen's rights and interests and serve socialist construction' [67]. In some senses, it protected the welfare of urban citizens.

The *hukou* system controlled not only rural–urban migration but also the population movement from one urban area to another. The prestige of the *hukou* status increased in the order of the city size of a person's permanent residence and its closeness to the city centre. The population movement up the hierarchy of urban settlements was effectively controlled. The government's policy was to tightly control the growth of large cities and to carefully develop medium-sized cities and to encourage the development of small cities and

townships. Housing was used as an instrument to encourage downward population movement. Housing conditions were better down the urban hierarchy. However, better housing in smaller urban areas was counter-balanced by the lower prestige of the *hukou* status there. In other words, the severity of housing conditions in a large city was tolerated by people because of the higher prestige of its *hukou* status. The tight control of population movement to large cities helped to release the housing pressure and to prevent the housing situation from being further affected.

However, the introduction of market mechanisms in recent years has made the *hukou* system alone unable to control the rapid growth of the 'floating population' (*liudong renkou*). The Public Security Ministry of China showed that up to 90% of the floating population were migrants from the countryside [68]. These rural migrants were often linked to blind migration (*mangliu*) and retained their rural *hukou* status. They were not entitled to the allocation of public housing. Therefore, it seemed that they did not affect the housing welfare of urban citizens. But they actually did because most of them had to share housing with local residents. A 1988 survey showed that 759 000 of the floating population in Shanghai lived with local residents or stayed in dormitories [69]. The influx of the floating population substantially affected the housing conditions of urban citizens.

The over-emphasis on profit-making in the post-Mao reform has made many employers take advantage of the *hukou* system (or the linkage between *hukou* and the welfare services). Work units, particularly private enterprises, tended to recruit more and more rural labour to reduce labour costs since employers did not need to provide welfare benefits to rural labour because of their *hukou* status; they also offered them lower salaries than their urban counterparts. Therefore recruiting rural labour became a strategy to survive market competition. In a field survey, the author was told that the building industry in many cities was dominated by rural labour. The massive employment of rural unskilled workers has affected the quality of housing construction. But the money-making desire makes employers go further. For example, in Guangzhou, farmers who have bought commercial housing at the market price can change their rural *hukou* into urban *hukou*. Cities, like Guangzhou, have reversed the order of urban housing services' dependence on the *hukou* status. They have developed a new formula in which urban *hukou* status follows housing and housing follows money. This has made the *hukou* system lose its initial function of controlling and rationalizing rural–urban migration and resource planning. The effective control and planning based on the *hukou* system has been undermined and distorted by a lot of money-motivated activities. *Hukou* is no longer a means of control but a kind of money-deal or even a source of corruption.

Conclusion: the impact of housing policy in the Mao era

Housing policy in the Mao era had profound impacts on the housing sector. First, the market force was removed in China. Housing was no longer treated as a commodity. Housing supply was determined by administrative planning. The state control of housing provision enabled the state to put national resources into the most productive areas. Housing investment was not decided by housing demand but by the national economic development strategy. Housing as a non-productive sector was given a low priority in

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investment. This enlarged the imbalance between housing supply and housing demand. Without the market force in operation, housing supply was insensitive to housing demand. Second, housing was treated as a reward for working. The housing distribution was determined by people's contribution to society. A person's contribution was measured by social status. So housing was allocated in response to a person's social status and not to actual needs or demands. Third, the bias towards private ownership led to the lack of housing tenure alternatives. There was no tenure choices for people. This in turn increased the burden of the state itself to provide housing for all urban citizens. The welfare nature of public housing created further problems for sustainable funding.

Most interestingly, Maoist housing policy did not intend to tackle the housing problem but national economic development. Housing policy served the whole economic development of the nation and not the housing issue alone. Such orientation of housing policy inevitably resulted in low investment in housing and the continuous housing shortage. But we cannot conclude that this was not a successful housing policy according to the relationship between supply and demand. We can make more accurate conclusions based on people's satisfaction. Despite the poor housing conditions, people had a very high level of satisfaction about housing. Their housing needs did not transfer to housing demand because of their advanced socialist thought. They received more pleasure from the national development rather than from the improvement of personal living standards. They shared the same value of socialism. 'High standard for work, low standard for living' was the nation's request to its people and it was also people's action. People were willing to live simply. Therefore the housing problem was, or at least seemed, not acute in the Mao era. Perhaps this was Mao's special contribution, in that he moved housing resources to productive sectors without people's complaint. Any leaders after Mao could not resolve such conflicts. In contrast, in the post-Mao reform, huge resources were allocated to the housing sector, and the average living space per capita almost doubled. But people were more critical about housing than in the Mao era. One possible explanation was that the change in physical conditions had not caught up with the people's expectation for such changes. So the discussion of the housing problem must consider the people's satisfaction and expectation as well as the pure mathematical calculation of physical conditions. Post-Maoist researchers' negative comments on Maoist housing policy were not in line with the people's positive support during the Mao period.

The impact of Maoist housing policy on people was very great. People were still dreaming of low rent charges for their housing units. This was why the privatization policy after Mao was so difficult to gain acceptance. But in their deepest thoughts, reformers believed that privatization could help the whole national economic development. Deng Xiaoping spelled out his simple judgement 'building can make money'. This resulted in massive investment in housing. Too much money invested in visible cities and the appearance of new buildings were often interpreted as evidence of modernization. It is hard to say what the long-term impact of the real estate boom on the national economy is. The real estate developers did make money out of housing construction. But can the economy as a whole make money out of massive housing investment? In terms of floor space and investment, housing reform secured great achievements. But it also resulted in an unbalanced structure of investment. Over-investment in housing could eventually harm the whole national economy.

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26. *Ibid*., Article 4.
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51. GREAB, *op. cit.* [6], pp. 39–40.
52. V.F.S. Sit, *op. cit.* [5], p. 202.
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