

# On the Injustice of the Policy for House Purchasing and Settling

## --Caution: Two Secessions of 2010 Lowering the Limitations of House Purchasing and Settling

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### Abstract

Restarting Policy for House Purchasing and Settling is a good means that the local governments deal with the problems such as weakness of property market, declination of purchase will of the customers and downturn of the stock market, so the NPC and CPPCC sessions suggest to deduce the limitations of Policy for House Purchasing and Settling in the small and middle cities and towns. But this policy brings more disadvantages (such as overload of city ecological environment, public power's interference with the market rules, accelerating the unfairness of society and its legitimacy, etc.) than advantages (increase of the local governments' financial revenue, improvement of urban landscape and offering more jobs). The disadvantages are much more than the advantages that can make short-term positive effects, which proves the injustice of the policy, so it should be terminated as soon as possible.

**Keywords:** Policy for House Purchasing and Settling, Injustice, Terminate, Registered permanent residence

### 1. Introduction

From the end of 2008 to the early 2009, Chengdu, Wuhan, Chongqing, Tianjin and other cities had enacted Policy for House Purchasing and Settling. Tianjin, Hangzhou, Xiamen and some other cities followed suit. It is said that this policy was carried out a few years ago by a number of urban governments, and then abandoned. The reason for its resurging is realistic and complex. Details are as follows. Real estate industry plays a decisive role in the economic structure; housing prices in contrast with incomes is extremely high; the international financial crisis is serious; the domestic stock market has been weak etc. To ease downturn of the real estate, stimulate domestic demand, promote economic growth, some local governments and scholars put forward Policy for House Purchasing and Settling.

Policy for House Purchasing and Settling means that immigrants who purchase the house up to a certain price in an urban area, then he and his family members can be settled in the city with Permanent Residence Certificate conferred by that municipal government. In two sessions of 2010 Chinese authority clearly proposed to relax the requirements of Policy for House Purchasing and Settling in small and medium cities and small towns. But it is believed that this policy will increase obstacles to reforming the household registration system in the long term.

In the late 20th century the development of real estate in China took place of the national welfare housing system to maintain policy continuity by the use of market instruments to achieve home ownership and solve the housing problems of most people. In truth, the essence of Policy for House Purchasing and Settling is aimed to alleviate the backlog of commercial housing, stimulate housing consumption, and drive local economic development, which is obviously contrary to the guiding ideology of the real estate industry from its birth. At the same time Policy for House Purchasing and Settling intensifies the adhesion of interests, which contradicts the national household registration system reform, which is anything but the remedy for the sluggish property market, and will lead to a series of problems, therefore it is an unjust policy.

## 2. Justicial mission of policy - to pursue the public interest

Rawls in "A Theory of Justice" said, "Justice is the primary value of the social system, just as the primary value of truth to the ideology. A theory, no matter how sophisticated and simple, as long as it is untrue, it must be rejected or amended; Similarly, any laws or institutions, regardless of how they are efficient and organized, just as long as they are not justicial, it must be modified or repealed." (Yu, 1999) Policy as a means of public management is the tool of the ruling party, state or government to implement diverse functions, adjuster device of allocation and regulation various interest relations, and serve for the socio-economic development and cultural progress. All policies are ultimately manifested as processing interests, and its purport should maximize the public interest to achieve the policy mission of justice.

Advocate and founder of Policy science, Harold Lasswell and Abraham Kaplan held: "The policy is a large plan with goals, values and strategies." (Chen, 2004, p3) Thomas Dye argued: "All the Government's decision to do or not is public policy." (Dye, 2004, p6) David Easton proposed that public policy is the decisive distribution of values of the whole society. Cunningham regarded policy as an elephant - you can recognize it, but can not define it easily. The definition of policy given by domestic scholars is also brilliant for the time being. Whether it is superior or inferior, all definition of the policies are concerned with goal-oriented social behavior and allocation of public interest. In fact, what is the public interest, which kind elements is it included, and other relative topic of public interests in academic circle, there has never a consensus. Public administration ethicists Cooper once admitted, "It is impossible to make the definition accepted by theoretical circles and practitioners." (Cooper, 1990, p68) Deborah Stone also pointed out: "What is public interest can never conclude a broad consensus. The public interest is like an empty box, everyone can put their own understanding into it." (Stone, 2001, p23) Public interest is regarded as an abstraction of existence, or an abstract form, and its content (meaning) is uncertain, however this uncertainty in the real political activities and government administrative activities is a plight and can not be avoided. (Zhang & Zhang, 2009)

In the wake of separation of public spheres and private spheres in modern society, the public domain to maintain the integrity of the private sector in the direct sense is realized by law, policy and administrative actions. Behind legal, policy and administrative action, public interest exists as the substance. The public spheres achieve the objectives of the soundness of private ones through maintaining public interest. Therefore, although public interest is an abstract social element, it is the ultimate criteria for all activities in the public domain. (Zhang & Zhang, 2009)

Theoretically, public interest implicates interests of a group for those who are in an absolute majority or position, but not some narrow or special industry interests. It is based on the idea that the public interest should ultimately improve the welfare benefits for most people rather than a few people or certain groups. When a policy is to maintain or increase the welfare of only a few people rather than most people, then it is reduced to an unrighteous policy, and it is necessary to be ended.

## 3. Injustice of Policy for House Purchasing and Settling

Policy for House Purchasing and Settling is an unrighteous policy in which land agents sell commodity house and governments afford registered permanent residence. Because this policy is not aimed to maximize public interests, but some special social groups, especially land developers and local governments. Leaving alone in the short term or the long term, the policy is an obvious affront on the urban environment, market law, and local residents, and it is departure from the historical mission of maximizing the public interests, and therefore need to be ended.

### 3.1 From the perspective of urban planning, worsening urban ecological capacity

Land is not only scarce resource, but also non-renewable resource. As a naturally formed resource, land of any city is limited, that can be developed as residential use is less. Policy for House Purchasing and Settling will stimulate the increase of house prices, and then push more land to be developed for house. Thus, fiscal revenue become more in the city, urban land less; the urban population increases, urban resources lessens. Because capacity of a city's space always has a fixed boundary, demographic excessive mobility and rapid population expansion inevitably put greater pressure for environment, resources, employment, transportation, social management and public services, and health, education, affordable housing and other infrastructure, meanwhile it will increase management costs. In short, this policy as a means for government to ameliorate the serious backlog of urban commercial houses, how long it lasts ultimately depends on the urban population, the bearing capacity of the environment and resources.

### *3.2 From the relations between government and market, public power interfering with market forces*

Commercial housing is a product of market, and its price is the result of games between buyers and sellers in the market, all of those have their own operating rules without external force to change its operating trends in general. In the current pattern of economic development, real estate occupies an important position, according to some material, real estate investment accounts for 25% of the total social fixed assets investment. (Wang, 2009, p9) Accordingly, it is said that real estate kidnapped Chinese economy. In fact, it can not be ignored that the real estate really put more and more influence on local policies owing to its strong capital force. Land agents think the government must save the depressed housing market, and will save the housing market. Automobile industry, steel industry and other industries also contribute a lot to China's economic development; they also need support, which needs large social resources. But resources owned by government are limited, so it should not put public taxation into a special industry, especially this industry should grow based on the market law automatically, like real estate. If government helps it, then some other industries will ask for help from government too, how can it do? Is it capable? Public authority is to provide the most convenience, guidance, rather than random use of social resources for capital services, not to speak of affording limited social resources to an industry. The direction of current government reform is to gradually sort out the government and the market, social relations to protect the right of the society. What can be done well in the market should leave over to the market, the government only play service provider to fulfill the basic functions of government service.

### *3.3 From the perspective of the law, the policy being illegal*

In theory, all policies should be subject to the law. Government departments ought to conduct various administrative activities under the authority of law. In a government by democracy and law, all acts involved in the public interests should be regulated by law. But in reality, the legislative power is not enough, so there are gaps in the law. In addition, the policies have interfered with law in some cases; there are two kinds of interference: one is that the law is turned a blind eye to or violated; another kind is worse, policy guides the formulation of law, interests of departments are guaranteed by law, even the private interests. Although this appears to be the rule by law, but this law is vice, is worse than none. In a word, this policy has interfered with the law and suffers a crisis of legitimacy.

There is no any excuse for transcending democracy, science, and rule by law in decision-making, even in the economic development of the special period, even in order to save the real estate market. The introduction of any public policy must consider the legality, legitimacy, both of subject and procedure. Census register concerned with Policy for House Purchasing and Settling is not at all an ordinary status symbol. Household registration system is a system with benefits and privileges and rich in social resources, some of which come from the local financial support, some from the central finance, such as education. A lot of people surge up to large cities to acquire registered permanent residence, for example, Beijing, Shanghai, just for their children's education. For education, local finance is just a part; the central government has also given special preferential policies. Since some privileges of registered permanent residence are entrusted by the central government with the public resources, do the local government presumptuously act on his own? It can be said, local governments acting as policy makers have some flaws, and that is to say, they are not the legitimate subject for policy-making concerned with above policy.

Second, any public policy needs due process. To what extent Policy for House Purchasing and Settling ask for the opinion of mass, through what kind of procedure, from a legal point of view these are questionable. Meanwhile, the household registration is managed by the state, like identity card, according to law it can not be traded, whereas policy for purchase house and settle down with permanent registered residence has reduced to a disguised permanent registered residence purchase transaction, namely local government hand over permanent registered residence to land agent to sell with house together. (Peng, 2009)

In practice, reasons for law is inferior to policy and not treated seriously are diverse. Practically speaking, a subordinate who does not master policy will suffer criticism from superior at any time, but do not understand the law, it seems not necessarily to go to court. To be exact, the relationship between law and policy is misunderstood; the effectiveness of the law is not well known.

### *3.4 From the effect of the system, social injustice being deepened*

#### *3.4.1 Regional disparities expanded*

Registered permanent residence is not just a status, which means a series of privileges on education, health care, pension, social security and other aspects. Policy for House Purchasing and Settling will have a "pump effect", that is, social resources, wealth and talents have been absorbed by the city, making the poor areas worse off on

account of lack of capital and talents. Persons who respond positively to the policy are most outlanders or the local rural population in general relatively affluent, and they are the backbone of the future development of regions they were born. But faced with such a policy, they leave their hometown and plan to settle in city. The local government took advantage of the imbalance in urban and rural development to implement Policy for House Purchasing and Settling, seek to further the interests of the city, which only further exacerbate gap between urban areas and rural areas, different regions, and aggrandize exploitation of human resources, material resources and the like from rural or underdeveloped areas by urban or developed areas.

#### 3.4.2 The urban resident's welfare weakened

Policy for House Purchasing and Settling that allows immigrants to receive registered permanent residence by purchasing a house to stimulate the real estate market and causes prices climb. On one hand, the local government will become unable to afford finance subsidies to the poor in his domain to buy house to settle; on the other hand, relatively wealthy who gain access to registered permanent residence would share financial support of the local city welfare, then the interests of urban residents will naturally be diluted; Furthermore, the relatively well-off outsider employ social resources on education, and employment development of the relatively poor local residents

#### 3.4.3 Migrant peasant workers excluded

Peasant workers refer to persons who work in cities for a long while, but their registered permanent residences are still in control of the authority in the rural areas. Many migrant workers have worked in urban areas over ten years and lived apart from their families; they hope to integrate in the local community, to bring family members to the side. But because they have not the rural registered permanent residences, they can not enjoy the medical, housing, welfare and education privileges of the rural people, meanwhile they will lose the land that can provide food and clothing for them in countryside.

Long-term migrant workers working in the city are also eager to become city residents. However there are few channels for them to become rural residents. The house price formulated in Policy for House Purchasing and Settling is too high for them. This regulation is especially unfair for peasant workers who have made an important contribution to the urbanization, how many migrant workers are able to afford a house according related policy designed by experts, even if they are willing and able to buy into the city from the house, can they become a real local resident?

#### 3.4.4 Nonlocal house buyers discriminated

The local governments are reluctant to offer migrant workers permanent registered residence, and they favored those with more assets. Should the affluent, well-off people feel a sense of superiority to some extent? Do the relatively wealthy foreigners who have gotten houses in the locality have the same economic, political, and cultural rights with the local residents? Indeed they do a lot to the local city, such as large investment, improvement of the environment, economic recovery and so on, whereas the answer is negative. Some local governments provide persons purchasing house based on that policy blue-printing permanent registered residence which is different from the local permanent registered residence in management and welfare (such as Tianjin city), it is regarded as a "second-class citizen". This is clearly contrary to justice and does not meet the requirements of a harmonious society.

China's urban and rural economic development is very uneven. Few people are able to own a commercial house in city, especially in big cities, after all most people are in the middle and lower income levels, migrant workers also rarely gain a house in the city. Therefore, such a policy for low-income urban workers and migrant workers in cities is unrealistic; it is difficult for them to be benefited. The real beneficiaries are a small number of real estate and related industries practitioners, this will cause greater gap between various areas, various levels and the rich will enjoy more privileges and benefits

Apparently, this policy seems to be a progressive reform of household registration, but most are based in exchange for economic development. Permanent registered residence is deemed to a cash cow for developer and finally reduced to a commodity, and become the tools used to exploit outside compatriots. When the household registration reform becomes the exchange of benefit, on one hand it harms the fairness of household registration system; on the other hand, it leads local governments to taking more advantages at the expense of fairness, which directly reflects the dual household registration system as unjust. Do the local governments not expect the above-mentioned negative effects of the settled policy? Local governments should be clear, but they also have excuses to support that policy as follows.

#### 4. “Contribution” of Policy for House Purchasing and Settling

##### 4.1 Consistent with the trend of urbanization

Urbanization is an inevitable development in China. Population migrating from rural areas to urban ones is only one aspect of it. From the distribution of urban resources and population point of view, the implementation of Policy for House Purchasing and Settling in second and third tier cities is appropriate, which can contribute to urban development, developing local economy, increasing revenue, diverting huge population in big cities, promotion national urbanization.

##### 4.2 Partial realization of the free migration

The current household registration system has restricted freedom of movement of residents. House buyers can settle down by payment to obtain the right to freedom of movement, so some scholars think that Policy for House Purchasing and Settling break through the rigid household registration system. In fact, it is impossible to reform long-standing and monotheistic household registration system by executing above policy, which can but add another error. (Zhang, 2009)

##### 4.3 A useful attempt to break the old household registration system

China's household registration system established in 1959 has functioned as a form of pure registration originally. At present, more and more functions and benefits have been attached to it. The household registration system is now needed peeling layers of cocoon and stripping attachments. In the long run, this policy can break long-standing inequity in the household registration barriers in major cities like Beijing and Shanghai, and promote the flow of talents with a more reasonable trend, ultimately, promote the smooth reform of household registration.

##### 4.4 Driving the economy into a virtuous circle

On the surface, the government seems to be helping developers make money with public power for personal use, but if the attention is put to the real estate industry you will find if the real estate industry slumps then other related industries will sag. Real estate involves an industry chain, including construction, building materials, steel, cement, transport, transportation, etc., so the real estate thrives, the related industries will be active to drive consumption, stimulate production, increase jobs, improve income and promote economic rebound. Some scholars believe that the state financial subsidies for home appliances to the countryside is similar with Policy for House Purchasing and Settling, in the former case, certainly it is not state who helps the home appliance industry to sold products, nor does the latter. (Fang, 2009)

At the first glance, Policy for House Purchasing and Settling has good reasons. However, in depth thinking you will find these reasons are untenable. Despite such a policy plays to some degree positive role, such as increased urban land gains, help to improve the employment, expand the building material market, and beautify the urban landscape and so on. But compared with these “benefits”, its “harm” is more prominent: seeming it speeds the urbanization of population, in fact, this is a reverse migration; seeming it promotes the free movement of population, actually increases the vested interest groups; seemingly it try to break the household registration system, in fact, is incompatible with the household registration reform. Therefore, it is not a good choice by Policy for House Purchasing and Settling to set a start for household registration reform. It is necessary to find accurate idea directing this reform by clearing up attached interests of permanent registered residence and let permanent registered residence act as a tool for registering resident's name, age, vocation, and apartment and other basic personal information. Policy for House Purchasing and Settling strengthen the attachment to permanent registered residence and make some people benefited, but more deprived. (Wang & Song, 2009)

If the relevant departments can clarify ideas and correct improper practice in use of the social rights granted by permanent registered residence, under the pressure of central policies and general public, attachments to permanent registered residence will be called off gradually. In short, the policy itself does not have the legality of qualifications, but will aggravate social injustice, lead to a departure from the ecological concept of urban development and be helpless to the household registration system reform, so it must be terminated as soon as possible.

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