

The Turning Point in Housing

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China reached an important turning point in housing policy on April 17, 2010. Policy shifted from stimulating growth to controlling speculative demand for housing, as well as increasing the supply of affordable housing. The central government has pushed the policies on reluctant local government officials, who are dependent on land-sales revenues and closely intertwined with real estate interests. Despite the tensions in implementation, central government commitment to the policy turn appears strong, and it is likely it will be sustained.

A Turning Point

China reached an important economic turning point on April 17, 2010. This was the day the State Council issued the “New 10 Articles” designed to cool off the property market.¹ This was one of the most widely anticipated turning points in memory: people have been waiting for it for months. One could almost say that ever since the scale and uncontrolled nature of China’s credit expansion became evident, in the first quarter of 2009, people have been wondering how and when it would be brought under control. Since mid-year 2009, the People’s Bank of China had been more or less openly calling for more aggressive action to slow credit growth, and since December 2009, had begun to drain liquidity from the system. In November 2009, the office of the Finance and Economics Leadership Small Group (LSG) had requested new data and an action plan from the Ministry of Housing and Construction, which traditionally tends to support construction interests. The LSG office then issued a report to Vice-Premier Li Keqiang—indicating his increasingly prominent role in coordinating economic policy—that stressed the importance of stabilizing housing prices, and for the first time in conjunction with housing policy raised the S-words: social stability.² After that, statements by government leaders discussing the problem of high and rising housing prices became common.

Despite the increased attention, very little happened. When the National People’s Congress met in March, the increase in housing prices was accelerating. At the congress there was much talk about housing prices, but no concrete action. As a result, market participants began to doubt the government’s commitment to price stabilization: perhaps they would never act? After the NPC wrapped up, housing price appreciation accelerated, and China crossed over into new territory: an unambiguous housing bubble, generally acknowledged.³ Plots of land in Beijing changed hands at record prices just after the NPC. In response, the Ministry of Land and Resources imposed a temporary moratorium on land transactions in the city.⁴ The housing market was clearly moving from the “boom” stage, to the “euphoria” stage, as the enthusiasm moved from the smart money to the dumb money.⁵ Some speculators rushed into the market, while others

sought to unload their properties quickly, in the face of the government intervention and market crash they increasingly viewed as inevitable. In April (in other words, before and after the 10 Articles were published), prices of new housing in 70 cities nationwide increased 15.4 percent over a year earlier, and in Beijing new housing prices increased 21.5 percent.⁶

Under these circumstances, a final top-level political consensus was assembled rather easily. Given the long gestation of the housing bubble, the economic bureaucracy had already been working on many strands of policy that were relatively easy to pull together. On April 14, a State Council Standing Committee meeting was convened to formalize the new policy package, and the most dramatic elements immediately leaked out to the press. The next day, the Ministry of Land and Resources announced its 2010 Housing Land Supply Plan, which charted a massive increase in the supply of land for housing (and ended the moratorium on land sales). Two days later, the official New 10 Articles were posted. Thus, substantial, coordinated measures were rolled out by the Chinese government, but only after considerable deliberation and consensus-building. There was nothing hasty about this policy.

But if the policy shift was long anticipated, that does not mean that its effect had already been discounted by markets. On the contrary, markets had begun to suspect that the government would *never* crack down on the housing market. When markets saw that this time the government had finally gotten serious, there was a rapid reaction. The Shanghai market had been relatively flat since its correction in August 2009, but it had still managed to inch up to an eight-month high of 3,166 on April 14. The first day of trading after the 10 Articles, the market dropped almost 5 percent. A month later, on May 17, it was down 19 percent. Of course, the market decline was not due solely to Chinese policy-making, since the Eurozone crisis originating in Greece exerted a powerful downward drag on global markets throughout this time. Nonetheless, the Shanghai stock market is, at the time of this writing, the second worst-performing major stock market in the world in 2010, after only Greece.

Policy Outlines

The housing policy outlined in the “New 10 Articles” has three main strands. First, it introduces measures to reduce speculative demand for housing: raising the required down payment for first mortgages to 30 percent of purchase price; further increasing required down payments and interest rates for purchases of second and third homes; and restricting housing purchases by those who are not local city residents.⁷ The objective is to drive speculative demand out of the market. The official position is that about 40 percent of current urban housing demand is speculative in nature, and that these policies, if successful, could reduce that to as low as 10 percent. Correspondingly, the market share of first-time home buyers and small and moderate-size units, currently around 30 percent of the market, would increase to 45 percent.⁸ If speculators become convinced that government policies will succeed in restraining rapid house price appreciation, they will abandon the market, and the projections may be accurate. Second, the policies include a major effort to increase the supply of housing, and especially of affordable housing. The new land-supply plan mentioned above called for a total housing land supply in 2010 of 180,000 hectares (445,000 acres) nationwide, which would be an

increase of more than 130 percent from 2009. Moreover, the plan demands that more than 40 percent of the total would be available for affordable, moderate-sized units. If these targets are achieved, it would make about as much land available for moderate-sized units in 2010 as was available for all housing in 2009.⁹ Most crucially, local governments are on notice that they must increase the supply of moderately priced housing, and that this will be one of the crucial success indicators by which their performance is evaluated.¹⁰ The third strand of policy is experimentation with the tax system, with the objective of eventually adopting some kind of property tax. A property tax, in theory, would also reduce speculative demand, but any affect would only be gradual, and in the long run. Experimental implementation of some form of property tax will begin by year-end in pilot regions.

Center and Local

Housing policy inevitably involves complex interactions among central and local governments. Local governments, and especially municipal governments, are deeply engaged in the politics and management of land. In the first place, they rely on revenue from land sales to a large extent (all urban land is “state-owned” and only the surface use-rights are leased out). The Ministry of Finance began demanding that local governments disclose land revenues in 2005–2006, during a previous round of central government effort to control housing market developments. According to the Ministry’s data, in 2009 land revenues totaled 1.4 trillion RMB, an increase of 43 percent from 2008, of which 1.27 trillion RMB was from the sale of use rights to state-owned (i.e., urban) land.¹¹ This large sum is over 4 percent of GDP, and about 44 percent of total budgetary revenues of all sub-national governmental units. This money accrues to local city governments, not completely unencumbered—they have expenses to pay out of it, such as improving the land, compensating people evicted, and building infrastructure—but with a vastly greater degree of flexibility than most other revenue sources. When a local mayor decides on his legacy for the city—whether that is an urban greenbelt, a luxurious government building, or a software park—he knows that his ability to complete his projects depends on these land revenues. As You-tien Hsing says in her new book on land politics, “land has moved to the center of local politics,” and “urban modernity, more than industrial modernity, now captures the political imagination of local state leaders.”¹²

Thus, local city governments approach land markets as land-owner, but also as regulator, planner, and developer. As if this was not enough, land development (everywhere) involves lucrative opportunities to steer business to insiders and supporters. It is thus a crucial part of local politicians’ strategies to build coalitions and enrich friends and relatives. For all these reasons, local governments would generally prefer housing prices to be high and rising, and for the construction business to boom unfettered. In short, they would prefer that the central government go away and leave them alone, but they also know this won’t happen.

Recognizing the reluctance of local governments to play ball on the housing issue, the central government put out an especially clear and strong document in the New 10 Articles. In line with the basic pattern of Chinese policy-making, the center sets broad

policy principles, while localities are charged with implementation, and local municipalities must promulgate implementing regulations adapted to their specific conditions. In this context, the New 10 Articles are relatively specific, for example mandating the increases in down payments referred to above. The real difference in this case is that the center has put local governments under unprecedented pressure to produce results, particularly those cities in which housing prices have been soaring lately, such as Beijing. Indeed, Beijing Municipality's implementing regulations came out on April 30, less than two weeks after the State Council's document, and they were considerably stricter than the central government version. For example, applicants are judged to be seeking second housing units if they or anyone in their household have either an outstanding mortgage or are registered as owner of a housing unit. Regulations were rolled out rapidly in Tianjin, Qingdao, and Hainan as well. In areas where housing price appreciation has been less of a problem, local governments were much more relaxed about promulgating their own local editions of the new regulations.¹³ Despite the local variation, the overall degree of central pressure is intense. Qin Hong of the Housing and Construction Ministry Policy Research Center, says, "This is not like an ordinary adjustment: the intensity is unprecedented and has exceeded market expectations."¹⁴

The important city that had still not come out with implementing regulations as of May 30 was Shanghai. Shanghai's delay is entangled with its desire to introduce the first property tax in China. The city has been designated by the central government for a property tax pilot program. A property tax will play an important function, in the long run, in reducing some of the worst distortions in the Chinese property market. It will increase property holding costs for speculators while also giving local governments an alternative revenue source not directly tied to property sales and development. At the national level, there is still much preparation to do, including improved appraisal capabilities; political decisions about tax coverage; and, importantly, the long and arduous process of passing a new tax law through the National People's Congress. But there is scope for a locality such as Shanghai to go ahead with a provisional local adaptation of an existing law, in this case the Real Estate Tax, dating back to 1986. Chongqing has also been designated for a pilot program, and Shenzhen and Beijing may follow as well. Unlike these others, Shanghai is enthusiastic about implementation, and seeks to announce the tax in principle during June, for implementation by year-end.¹⁵ There are still many unanswered questions, however. In general, the Ministry of Finance strongly favors the tax, not only because it intrinsically values budgetary revenue, but because it sees the property tax as a key step to rebalance central-local fiscal relations and place local budgets on a sounder basis. Many other agencies are not sure China is ready. There are also political questions about equity: How big will the exemption be for modest homes? Will Shanghai residents resent paying a property tax that nobody else has to pay?¹⁶ In the meantime, when rumors of an imminent Shanghai tax are more prevalent, the shares of property companies on the Shanghai stock market decline.

Local governments are actively pledging results in the supply of land for housing and in the construction of affordable housing units. In the past, performance in supplying affordable housing units has been poor. There are little data available about past efforts, indicating a generalized failure to deliver the goods. But given that local governments

are under enormous pressure from the center, this is exactly where we would expect them to be making a highly visible response. Local governments quickly show results by pledging more acres of land and more thousands of housing units, and we see exactly this response. In fact, local governments are signing contracts with the Housing and Construction Ministry committing to a certain number of affordable housing units.¹⁷ Localities that have come to the table relatively later with their local implementing regulations, such as Guangzhou did on May 21, seem to be placing much more stress on providing affordable housing, and less on restricting demand.¹⁸ Such a strategy might indeed afford local governments less disruption to the markets and business relationships on which they depend. Beijing Municipality has also begun conditioning the sale of land on commitments to provide affordable housing. This and other bid conditions make up the “comprehensive evaluation” of land auctions.¹⁹ Many reports show local governments allocating large blocks of land to housing development in 2010 in an effort to maintain and increase supplies.

The complex interactions over the housing issue are not limited to central government-local government relations. The center is also intruding directly into the economics of urban development by stepping up enforcement of the land value-added tax. In place since 1994, the land value-added tax is viewed as being widely evaded. One of the easiest ways to avoid paying the full tax is to keep some part of a real estate project on your books, so that the project is still “unfinished.” The State Tax Bureau has audited developers annually for the last five years, finding many violations. This year, starting in June, an even more intensive audit will be launched, designed to force developers to pay taxes on—or surrender control over—land and buildings they are hoarding for speculative purposes.²⁰

Central Government Credibility

Today’s housing policy comes amidst widespread recognition that previous pronouncements on housing markets have not been sustained, and as a result central government credibility in maintaining these policies is not guaranteed. Previous government efforts to control urban land markets have had, at best, mixed results.²¹ Efforts in 2004 and 2006 to control housing prices and regularize market procedures did succeed in bringing land transactions out of the shadows to a certain extent. However, they did not reduce the dependence of local governments on land revenues to generate financial resources; and they did not substantially increase the supply of low-cost housing. Most significantly, they most certainly did not manage to restrain speculative demand for housing, nor the long-run growth of housing prices. Intertwined with this lack of success was the fact that, without local government cooperation, it was virtually impossible for the central government to maintain policy consistency. Why should this time be any different?

On one previous occasion, central policy-makers did have a big impact on housing markets. During 2007–2008, as inflation rose above 5 percent, policy-makers raised interest rates, let the RMB appreciate, and cracked down on credit in the housing market. This case raises many cautions for policy-makers today. It certainly “worked,” in the sense that there was a sharp housing slowdown in 2008, with a significant reduction in

prices, sales volumes, and, ultimately, the supply of new housing. However, the slowdown made the Chinese economy vulnerable when the global financial crisis hit in the fall of 2008, so that, given the rapid change in external conditions, policy was seen to have overshot the mark. Of course, policy-makers do not want to repeat such an experience, and their desire not to repeat it in some ways makes it more difficult to credibly commit to the current policy. But there are also important differences. In 2007–2008, housing policy adjustment was just one strand, and its impact was reinforced by sustained monetary tightening, combined with significant RMB appreciation, both designed to fight overall inflation. Even with these combined policy instruments, it was not until the impact of an unprecedented global financial crisis was felt that the policy was unambiguously seen to be overshooting.

Premier Wen Jiabao probably had this experience in mind when he declared in Tianjin on May 13 that policy measures had to be appropriate and timely. He stressed the need to avoid “the negative impact of having multiple policies piled on top of each other,” Wen declared. These comments were immediately interpreted as meaning that the government’s resolve was weakening, perhaps in the wake of the Eurozone crisis.²² Yet it probably had no such meaning. Shortly thereafter, a new rumor started, probably leaked on purpose, that the NDRC had developed a set of back-up policies to *intensify* the house adjustment policies if the first round was not successful.²³ Whether true or not, the rumor reflects the wary stand-off between government and real estate developers. Developers, of course, prefer to wait out the government. They know that its commitment to economic growth exceeds its commitment to affordable housing, and they see that policies have a half-life of about nine months in general. Sellers are therefore loath to lower prices. No buyers will pay last month’s price for today’s apartment, however. So the short-run impact is a drastic drop in the volume of transactions as both sides wait and see. Adjustment policies affect both the demand and the supply side of the market, sometimes in ways that are unanticipated. Price trends will only begin to emerge during June.

Why does it matter?

Beyond the complex dynamics between central and local governments, the housing issue matters in at least three crucial dimensions. First, urban public opinion cares deeply about housing prices: Young people feel priced out of the market, while many middle-aged families worry that their most valuable asset will depreciate. Politicians wishing to satisfy both groups walk a thin line. Second, the banks have substantial exposure to the housing market, exposure that has increased dramatically over the past 16 months. Mortgage lending and loans to developers were two of the biggest components of the massive credit expansion of 2009. Today, banks in China are undergoing massive “stress-testing,” like that which the Federal Reserve Board put the biggest U.S. banks through in early 2009. Bank branches are being pressed to compile more detailed and accurate information, and staff at the bank regulatory agency are analyzing the data. There are about 9 trillion RMB in loans directly to the real estate sector from the banking system, as of the end of March 2010. Thus far, analysts judge that a 20 percent decline in housing prices would be manageable for most institutions. Beyond that, it is less

certain.²⁴ In general, Chinese banks are being pressed by the regulator to raise capital and set aside larger provisions for loan losses.

The third dimension is the financial health of local governments. During the stimulus program, local governments set up large numbers of “funding platforms” to carry out infrastructure investment projects. This allowed them to borrow directly from banks, which local governments themselves are formally forbidden to do. The bank regulator is also carrying out an investigation of the bank system’s exposure to these local funding platforms, and every branch bank is required to have a full audit of its exposure, and of the financial conditions of the platforms to which it has lent, before the end of June 2010. The top bank regulator, Liu Mingkang, reports that at the end of 2009, loans to local funding platforms were 7.38 trillion RMB (up 70 percent from year-end 2008). Even this year, loans to these funding platforms have continued to increase, and by one estimate accounted for 40 percent of new lending during the first quarter.²⁵ According to Liu Yuhui, an expert from the Chinese Academy of Social Sciences who led a research team surveying local financial institutions in early 2010, only about 10 percent of local funding platforms are able to repay loans from revenues raised directly from their investment projects; the large majority expect to repay loans from the increased value of land sold in the wake of those investment projects. Therefore, if land revenues are depressed—due to lower housing prices, higher land supply, and increased conditionality on land sales—local governments may have an even more difficult time repaying.²⁶ Overall, these problems will increase the pressure for a restructuring of center-local fiscal relations, while also calling for heightened vigilance among bank regulators to avoid additional problems in the banking system.

Conclusion

The turning point in housing policy exemplifies many of the trends in Chinese policy-making that have emerged since the global financial crisis. In the first place, the central government’s approach strongly reflects the “lesson” learned from the global crisis, discussed in the previous issue of *CLM*. The central government is exerting more authoritative and specific commands through the hierarchical system. It is insisting that local governments conform to central government policy directives, and backing this up with rewards and punishments exerted through the personnel system. While there is no available evidence of an authoritative Communist Party document enforcing this compliance, one almost certainly exists. China intends to use stronger disciplinary authority to enforce a policy that has not been successfully enforced in the past. Second, these policies do not amount to an across-the-board macroeconomic contraction. Macroeconomic policy is still set on “moderately expansionary,” and urbanization is seen driving continued rapid investment. Chinese policy-makers recognize the importance of construction and real estate in their economy, and they do not seek to shrink that sector. On the contrary, they seek to maintain it in size through government support for the affordable housing sector. Whether they will succeed with this policy is another matter. Third, and finally, the long-term outcome of the policy is uncertain and will depend on the center’s consistency and determination, as well as the way specific policies are crafted. The policies have not been particularly well communicated, and rumors and

anticipation have swept through Chinese markets, contributing to long-run uncertainty. Moreover, some of the policies introduced have the potential to create new distortions and new rent-seeking opportunities within the real estate industry. China's new policy has achieved important results by essentially throwing a circuit-breaker in an overheated market. The challenge now is to bring that market to a condition of long-run health.

Notes

¹ State Council, “*Guowuyuan guanyu jianjue yizhi bufen chengshi fangjia guokuai shangzhang de tongzhi*” [State Council notification on resolutely containing the excessively rapid appreciation of housing prices in some cities], *Guofa* [2010], no. 10, April 17, 2010, posted at http://www.gov.cn/zwggk/2010-04/17/content_1584927.htm.

² Fu Tao, Li Shen, Yu Ning, Zhang Yanling, and Huo Kan, “*Qiaoda fangdichan*” [A Wake-up Call for Housing], *Xinshiji*, April 19, 2010, is a detailed account of the background of the new policy. Accessed at <http://magazine.caing.com/2010-04-18/100136291.html>; condensed English version at <http://english.caing.com/2010-04-20/100137084.html>. Note that the Ministry of Housing and Construction now prefers to be known by the official English (mis)translation of MOHURD, the Ministry of Housing and Urban and Rural Development, even though their official Chinese name contains “construction” (*jianshe*) and not “development” (*fazhan*). Apparently they feel that with this translation, English-speakers will not notice that they are mainly still what they have always been, namely, the Ministry for the construction industry.

³ Fu Tao et al., *op. cit.*

⁴ China Central Television, “China to announce latest land supply plan,” April 12, 2010, accessed at http://en.ce.cn/Industries/Property/201004/12/t20100412_21263869.shtml.

⁵ The classification of bubbles into “boom” and “euphoria” stage goes back to Charles Kindleberger in his classic work *Manias, Panics and Crashes: A History of Financial Crises*, first published in 1978 and repeatedly revised and updated since, even after the author’s death in 2003.

⁶ National Bureau of Statistics, “*1–4 yue quanguo fangdichan shichang yunxing qingkuang*” [Conditions in national real estate markets Jan–April], May 11, 2010, accessed at http://www.stats.gov.cn/tjfx/jdfx/t20100511_402641417.htm. Prices rose even more explosively in Hainan and some cities in Zhejiang.

⁷ Articles Three and Four of the Ten Articles. State Council, “*Guowuyuan guanyu jianjue yizhi bufen chengshi fangjia guokuai shangzhang de tongzhi*” [State Council notification on resolutely containing the excessively rapid appreciation of housing prices in some cities], *Guofa* [2010], no. 10, April 17, 2010, posted at http://www.gov.cn/zwggk/2010-04/17/content_1584927.htm.

⁸ *Wo ai wo jia* [“I love my home” website], “*‘Xin guoshitiao’ hou de shichang zoushi; weilai 2–5 nian fangjia chaowen*” [Market trends after the ‘new ten articles,’ prices will stabilize over the next 2–5 years], April 18, 2010, accessed at <http://house.focus.cn/news/2010-04-18/909578.html>. Although this source is presented as an estimate of future market trends, it should in fact be read as a policy-makers “wish list,” timed to come out the day after the policy was announced.

⁹ Fu Tao et al.

¹⁰ Article 2 of the New 10 Articles. Housing price stabilization and housing security work are the two indicators named.

¹¹ Ministry of Finance, “*Quanguo tudi churang shouzhi jiben qingkuang*” [Basic conditions of national land revenues and expenditures].” Accessed at http://www.mof.gov.cn/zhengwuxinxi/caizhengshuju/201004/t20100413_286852.html.

¹² Hsing, You-tien, *The Great Urban Transformation: Politics of Land and Property in China*. Oxford: Oxford University Press, 2010, pp. 5–6.

¹³ Chi Qing, “*Difang chutai loushi tiaokong xize yilan: jiang tiaokong jinxing daodi*” [The detailed local regulations on housing adjustment at a glance; carry out adjustment to the end], *Di yi shi bin* [Channel One], May 7, 2010, accessed at <http://news.vodone.com/gn/2010-5-7/127319087633.shtml>; “*Difangban ‘Guoshitiao’ chengwei yinhang fangdai zhengce fangxiangbiao*” [The local editions of the ‘National 10 Articles’ become weathervane for local bank mortgage lending], *Jinrong Shibao*, May 15, 2010, accessed

at <http://www.wolai.com/news/2010-05-15/92318/>; for a comprehensive up-to-date listing of local policies see *Fangzheng Zaixian* [Housing Policies on line], at <http://www.fzcx.cn/S/BookPages/524/Default.shtml>.

¹⁴ Sun Xiaolin and Jia Haifeng, “*Fangjia tiaokong shuangsiwang; difang zhongyang qianqianjie*” [Housing price adjustment tied up in a double net; local and central each weave many strands], *21 Shiji Jingji Baodao*, April 30, 2010, accessed at http://www.21cbh.com/HTML/2010-5-4/xOMDAwMDE3NTMxOA.html?source=hp&position=focus_xg.

¹⁵ Xi Si, “*Shanghai 6 yue shidian fangchanshui; chutai rongyi luoshi rongnan*” [Shanghai will pilot real estate tax in June; it’s easy to announce, hard to implement]” *Jingji Guanchabao*, May 25, 2010, accessed at http://www.eeo.com.cn/Politics/beijing_news/2010/05/25/170843.shtml; Xi Si, “A Property Tax is Coming . . . But Not as We Know It,” *Economic Observer Online*, April 25, 2010 (original article), accessed at <http://www.eeo.com.cn/ens/Politics/2010/05/01/169086.shtml>; Chen Zhe and Jia Huajie, “Shanghai, Chongqing to Pilot Property Tax,” *Economic Observer Online*, April 12, 2010 (original article), accessed at <http://www.eeo.com.cn/ens/Industry/2010/04/16/167788.shtml>.

¹⁶ Li Xiaodan, “*Fagaiwei, caizheng xitong; fangchanshui biaotai maodun*” [NDRC, Ministry of Finance System: Their expressed attitudes toward the real estate tax seem contradictory], *Jingji Guanchabao*, May 24, 2010, accessed at http://www.eeo.com.cn/Politics/beijing_news/2010/05/24/170778.shtml; see sources cited in previous note.

¹⁷ Xinhua, “*Zhufang chengxiang jianshebu yu ge defang zhengfu ding 2010 nian zhufang baozhang gongzuo mubiao zerenshu*” [The Ministry of Housing and Urban and Rural Construction signs 2010 work objective responsibility agreements with each local government], May 19, 2010, accessed at http://www.gov.cn/jrzq/2010-05/19/content_1609543.htm.

¹⁸ *Nanfangwang* [Southern Network], “*Guoshitiao Guanzhouban size wenhe chutai; buti xiangoutui daguimuo baozhangfang*” [The Guangzhou Edition of the 10 Articles mildly appears; it doesn’t restrict purchases but pushes large-scale construction of affordable housing], reprinted in *21 Shiji Jingji Baodao*, May 22, 2010, accessed at <http://www.21cbh.com/HTML/2010-5-22/0NMDAwMDE3ODU0Ng.html?source=hp&position=newscolumn>.

¹⁹ Zhou Wentian and Shao Fangchao, “*Beijing tudi zonghe pingbiao zaishishui*” [Beijing tests the water again with the comprehensive evaluation of land auctions], *Zhongguo Jiangshebao*, May 19, 2010, accessed at <http://house.focus.cn/news/2010-05-19/937751.html>.

²⁰ Zhang Muxia, “*Tudi zengzhishui xijia mingque; youwang cheng fanchan tiaokong liqi*” [The land value-added tax detailed and exact; there is hope it will be an instrument of real estate control], *Shanghai Zhengzhuanbao*, May 27, 2010; accessed at http://www.cs.com.cn/fc/02/201005/t20100527_2448977.htm;

Xi Si, “*Fangdichanshuishou jicha shengji*” [The inspection of real estate tax is moving up in intensity], *Jingji Guanchabao*, May 29, 2010, accessed at http://www.eeo.com.cn/Politics/beijing_news/2010/05/29/171357.shtml. According to reporting by He Xiaohe, there exists a rough calculation that 2.5 trillion RMB in land value-added tax was evaded in the five years from 2005 through 2009. “*Guoshuizongju mingque tudi zengzhishui qingsuan*” [State Tax Bureau clarifies land value-added tax account settlement], *Jingji Guanchabao*, May 27, 2010, accessed at http://www.eeo.com.cn/Politics/beijing_news/2010/05/27/171099.shtml.

²¹ Barry Naughton, “The Assertive Center: Beijing Moves Against Local Government Control of Land,” *China Leadership Monitor*, no. 20, Winter 2007.

²² China Central Television, “*Wen Jiabao Tianjin jianghua; zhuanjia liao diaokong jiezou huo fangyuan*” [Wen Jiabao’s Tianjin talk; experts think the pace of housing adjustment policies may be slowed], May 18, 2010, accessed at <http://finance.vodone.com/zqsc/2010-5-18/1274140585486.shtml>.

²³ Diyi Shibin [Channel Number One], “*Fagaiwei qicao tiaokong luoshi xinzheng; bujianxiao bushoushou*” [NDRC drafts a new housing adjustment policy; if policy isn’t effective, we won’t back down], May 17, 2010, accessed at <http://finance.vodone.com/zqsc/2010-5-17/1274059597691.shtml>. More generally on policy credibility, see Wen Zhao, “*Tamen weishemma renzhun fangjia huizhang?*” [Why are they convinced that housing prices will go up?], *Jingji Guanchabao*, May 26, 2010, accessed at http://www.eeo.com.cn/industry/real_estate/2010/05/26/171002.shtml.

²⁴ Chen Kuncai, “*Yinhangye jinji qidong ceshi 9 wanyi fangdai chengya*” [The banks are beginning the stress tests for the 9 trillion in housing lending], *21 Shiji Jingji Baodao*, May 14, 2010, accessed at <http://finance.sina.com.cn/g/20100514/01357932703.shtml>.

²⁵ Xiao Ping and Zhang Muxia, “*Shekeyuan zhuanjia cheng defang zhengfu fuzhai zongliang rengzai kekong fanwei*” [An expert from the Chinese Academy of Social Sciences says the overall scope of local

government indebtedness is still in the controllable range], *Renmin Ribao* [Overseas Edition], May 21, 2010, accessed at <http://finance.sina.com.cn/g/20100521/06107977696.shtml>.

²⁶ Xiao Ping and Zhang Muxia, *op. cit.*