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Deconstruct 'the state': Complex  
Entrepreneurialism in Urbanizing China

By

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**Abstract:** To what extent does "state entrepreneurialism" fit China's urbanization profile? This article revisits the debate about state and market in urban studies. It critically examines the ostensible institutional unity of the Chinese state and unfolds the complexities of entrepreneurialism urban governance in China. The author argues that "state entrepreneurialism" does not adequately encapsulate the corporate-style intergovernmental interactions and ambiguous government-business relations. Market has become an ideology that extensively influences China's intergovernmental relations and development policies. Only at exceptional periods, such as catastrophes and crisis outbreaks, does entrepreneurialism governance take a back seat to other priorities. The paper concludes that urban governance in China should be considered as complex and unsettled with actually existing interaction and conflict between divided self-interested officials and private business actors. It then discusses four fractured spatial forms that are both the arenas and the consequences of complex entrepreneurial governance.

**Keywords:** state entrepreneurialism; complex urban entrepreneurialism governance; state-business cooperation; fragmented spatial forms.

## **Deconstruct 'the state': Complex Entrepreneurialism in Urbanizing China**

### **Introduction**

Since the 1970s, large amounts of industrial capital and production technology have flowed to developing countries in order to control costs and capture emerging markets. Developed economies consequently experienced widespread unemployment and fiscal burdens. In addition, the organization of industrial production shifted to a post-Fordist model, where changes in accumulation patterns drove a shift in regulation (Jessop, 1996). The scale of development shifted from the sovereign state to the city and region (Brenner, 1999). Cities became arenas for competitive and speculative entrepreneurialism in governance, creating growth coalitions of government, social groups, and private organizations (Molotch, 1976; David Harvey, 1989; Hubbard and Hall, 1998: 13).

As with the examination of urban transformations in late-capitalist countries, the extent to which the set of analytical terms regarding neoliberal urban restructuring applies to China remains relevant. At almost the same time, China transitioned from a planned to a market economy and abandoned its urban disincentive policies. Relatively more liberal policies were adopted in terms of migration and economic promotion. Beginning in the 1990s, China's coastal areas rapidly shifted from rural to urban agglomerations. Phenomena like extraction, accumulation, housing market speculation, and social polarization have long stirred academic interest and generated extensive scholarly debate. Urban scholars have noted that China's cities - especially in the east - have become key arenas for growth and capital accumulation (Wu, 2007: 9-12).

But conclusions about the 'Chinese model' went through changes and remain divided to this day (for example, Zhu, 1999; Hsing, 2010; Keith et al., 2014). Central to these debates is the tension between state interventionism and the economic miracle (He and Lin, 2015). The dominant voices of the last decade came to believe that 'the state' is an imperative actor (Chien and Wu, 2011; He and Qian, 2017). In order to avoid misapplying theory outside of the "Chinese context," in part in response to the call to build localized theory (Robison, 2002), urban scholars studying China's transformation have worked to identify how the Chinese state

still dominates macro programs and has direct authority over personnel appointments, providing empirical examples of how the state leads urban projects (Hsing, 2008; Su, 2010; Liu et al., 2019; Ren, 2020: 12). Zhou (et al., 2019) argues that the problem with applying the analytical vocabulary of neoliberalism to China is that it selects only those areas of Chinese cities that are similar to those in the West.

An almost similarly worrying approach, however, is a piecemeal analysis of Chinese 'exceptions', perhaps in search of theoretical decentering, but with a biased choice of Chinese stories. Such analyses, in order to 'falsify' neoliberal theories of urban renewal, unwittingly fall into the trap of 'finding differences' but fail to form a coherent dialogue. These analyses attempt to capture complex phenomena in another 'unique' framework when dealing with the Chinese story, only to produce a narrow set of interpretations (Pow, 2011; Ren and Luger, 2015).

This paper resonates strongly with the dilemma of trying to theorize the Chinese urban experience and worries about being satisfied with generalizing explanations of state-led urbanization. It proposes to re-examine the myriad fields that the term 'state' encompasses in China in order to avoid fitting all the fragmented and divided cases into the same explanatory framework. The article thus questions whether we can find theoretical tools that better capture China's urban transformation within the 'state-led' path. In particular, given that this analytical tool is directly involved in the academic debate on 'state domination', it revisits the concept of 'state entrepreneurialism' that has been influential in recent years. Building on the contributions of Fulong Wu and colleagues, this paper seeks to further open up the 'state' and its complex internal and external conflicts of interest, and calls for a reconsideration of whether the assumption of state intervention in opposition to private capital is really justified in understanding the practice of urban entrepreneurialism. The article then suggests that the complex set of actors encompassed by the "state" renders many dualistic analytical concepts difficult to employ in analyzing entrepreneurial practices in China. The article argues that institutional ambiguities in China allow multiple political and business elites in the urban arena to maintain an uneasy but actual collaboration.

## **The Visible State in China's Urban Entrepreneurial Experience**

Recognizing the key role of the state, urban studies in China over the past two decades have generally argued that the explosive growth of Chinese cities stems from three particular factors: a centralized bureaucratic selection and appraisal system, a regime of collective ownership of rural land (and certain other resources) and state ownership of urban land, and a tax-sharing system that has led to excessive fiscal pressure on local governments.

First, the central government holds the power of personnel assessment and promotion of officials, which is considered a key incentive for local governments for city-building, as the transfer and promotion of officials is always tied to local economic growth. Chinese economist Zhou Li'an (2007) termed it a "promotion tournament" for Chinese officials. Clear targets, quantifiable and concise measurements, and recognized incentives contribute to the GDPism of Chinese officials. Urban studies scholars also agree that urban expansion since China's economic reforms is largely the result of local officials catering to globalized economic competition in order to achieve their personal political ends (Yang and Huang, 2007; Chien and Woodworth, 2018; Jiang and Waley, 2020).

On the other hand, two intertwined systems are thought to have stimulated land expansion in China's cities: the central-local government fiscal allocation system and the land ownership system. In 1994, China's central government promoted a fiscal reform that divided taxes into central, local, and shared taxes. This reform also decided to implement a system of tax rebates and transfer payments, the former to motivate localities and the latter to help lagging regions. The 1994 fiscal reform significantly weakened local fiscal capacity, as the central government took away most of the easy-to-collect taxes, such as value-added tax and consumption tax, and left a small number of difficult-to-collect taxes to localities. Even worse, the fiscal reforms did not trigger a corresponding reform of expenditure responsibilities. Despite capturing more than 50 percent of revenues, the central state is not obliged to directly cover local public expenditures, resulting in a mismatch between revenues and budget expenditures (for a more detailed description and a comparison before and after 1994, see Bahl and Martinez-Vazquez, 2006: 267-269; Zhan, 2009; Zhou, 2012).

While the fiscal system has added pressure on local governments, the land system has brought huge revenues to local governments. According to the Chinese Land Management Law

(1998), only the (city) government has the authority to expropriate and develop agricultural land and to grant land for construction<sup>1</sup>. The compensation cost of expropriating agricultural land is much lower than the price of leasing the right to use urban construction land, and the resulting land revenue and sales taxes from the construction and real estate industries are "local taxes" that do not need to be shared with the central government. Land finance replenishes city government's financial pockets and sometimes fills private ones (see Huang and Chan 2018 for a more detailed description). Noting the rapid expansion of built-up land at an unusual rate, scholars have argued that China's urban expansion since the late 1990s is primarily attributable to official performance incentives, fiscal sharing systems, and land system phases (Wu, 2007; Lin, 2014; Liu et al., 2017).

Based on these findings, Fulong Wu suggests that while Chinese cities are also arenas for competition and economic construction, the motivations and agency in the Chinese scene are different from those in Europe and the United States. According to his discussion, the market is only used as an instrument (or method) to expand capital accumulation and enhance state legitimacy; the state still retains the power of social control (2017). Furthermore, he argues against the view that the state passively accepts capital accumulation and also points out that GDPism and land finance are not all aspects of understanding urbanization in China (2018). According to him, the Chinese state has issued many strategic plans, with the construction of the Yizhuang suburb in Beijing as an example of state power and strategic arrangements (Wu and Phelps, 2011). In a comparative study of housing policies in informal settlements, Xuefei Ren (2017) also points out that local governments in China are not only part of the local growth coalition, but the main coordinators of urban affairs, with extensive influence. In other words, local governments are not only entrepreneurs who carry out investment and revenue activities. In this sense, scholars of Chinese urban studies have noted the multiple roles of local governments, and Fulong Wu thus attempts to conceptualize the economic behavior and political purposes of the state as *state entrepreneurialism* in order to highlight the non-dominant significance of the market for the state.

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<sup>1</sup> Rural land is collectively owned and urban land is owned by the state. Township and village governments are administratively subordinate to the county or municipal level or higher. Therefore, it is very easy to expropriate land from peasants at low prices. After negotiations between higher and lower levels of government, township and village governments and elites usually lobby and even coerce peasants to give up their land; thus, there are many examples of peasant resistance on land issues in China (Kan, 2019; O'Brien and Li, 2006)

**Table 1 Distinction between Chinese and Western models by Wu and his colleagues<sup>2</sup>**

	<b>'The West'</b>	<b>China</b>	<b>Differences in mode of Entrepreneurialism</b>
<b>Motivations for market reform</b>	Reaction to neoliberal and market pressure	Fix Mao's inefficient and ineffective centrally planned direct-resource allocation	(a) Type and level of state interventions
<b>Operation of political system</b>	Liberal democracies with institutionalized local elections and private property rights	Party-state leadership in the administration of all spatial scales (national, provincial, prefectural, county level and town and township level)	(b) Mechanism of local state coordination (competitive or forced to collaborate)
<b>Land ownership</b>	Can be privately owned	State-owned in urban and collectively-owned in rural	(c) City as the growth machine or part of strategic plans

As a development of David Harvey's research, 'state entrepreneurialism' constructs a theory based on different institutions to capture divergent urban experiences. However, it probably simplifies the multiple contradictions implied within and outside the state. In his analysis, Fulong Wu rarely makes a distinction between local and central government, but rather broadly summarizes them all as 'the state'. It also unreasonably assumes boundaries between government and other local actors.

Losing sight of the central-local relationship is common in Chinese urban studies. Most studies highlight the role of the state by emphasizing the central government's fiscal and personnel control over local governments, but rarely emphasize how conflicting roles and goals between the two shape urbanization. The neglect of 'state' heterogeneity is understandable given that the literature they dialogue is primarily concerned with the (conflicts/dualist relations) state and capital. However, for centralized regimes, failure to focus on inter-governmental interactions means ignoring the vast majority of complexity. Scholars in other fields have contributed intelligence to this topic by asserting that economic decentralization in centralized China relies on contingent experimentation and vague definitions of institutions (for example, Heilmann and Perry, 2011). Therefore, this paper argues that unpacking the

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<sup>2</sup> Wu: 2009; 2011; 2017

"state" is not only relevant but also a prerequisite for understanding the conflict between the state and capital in the Chinese context.

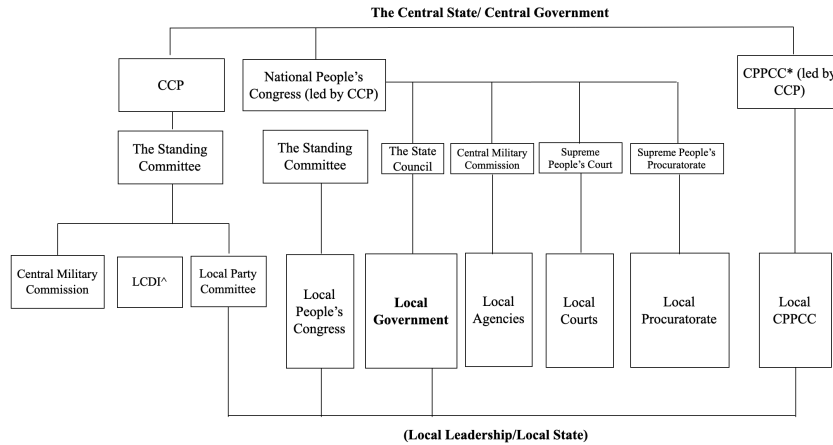
### **What is missed when we apply ' (local) state entrepreneurialism' in China**

Perhaps for the sake of clarity, the term "state" has been used indiscriminately in urban Chinese scholarship along with 'party state,' 'central/local state,' and 'government'. As Figures 1 and 2 show, while China's territorial governance institutions have a clear distinction of responsibilities in name, they have many elastic dispositions in practice. There are two most important elastic/uncertain institutional definitions that have shaped China's transformation. The first is "Party-led." One-party dictatorship means that the policy direction of the CCP still determines the direction of the political system, with uncertainty and instability, as it literally implies (although opinions within the Party may have long been divided, see discussion below).

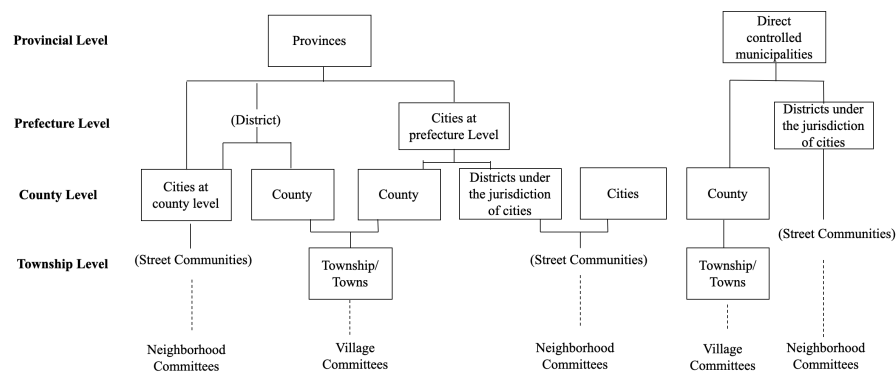
A second related system is the "cross-posting" of local governments, where the same person can serve on party committees, people's congresses, people's governments, and CPPCC committees, as shown in Figure 1. This means that urban leaders aggregate a large amount of power. Although the legislative (people's congress), executive (government), and supervisory (CPPCC) powers are institutionally separate, they may be held by the same person in some cases. In addition, cross-posting entails accountability to different higher authorities, different political mandates, and the simultaneous representation of the interests of different groups of people.



**Fig1. Political Structure in China<sup>3</sup>**



**Fig2. Local governance hierarchy in China<sup>4</sup>**



In addition to the flexible institutions, the expansion of party membership has greatly complicated the internal workings of the Chinese polity. During the reform period, the CCP grew from 40 million members in the early 1980s to about 100 million, making it a super party of enormous size. While the CCP certainly retained almost all of its power in the political, economic and social spheres, it became highly polarized internally. One can find members within the party who represent entrepreneurs, upper-class elites, or rightist views, as well as members who represent grassroots workers, peasants, or the Marxist left (Sun 2009; Huang 2019). Thus, when scholars discuss 'the state', the latter may be a polarized, borderless, or even conflicting plurality of actors.

Insightful literature on Chinese government relations discusses several ways in which local (lower) governments informally resist the central (higher) government, with the above-

<sup>3</sup> Adapted from Government Website of the PRC. \* National Committee of the Chinese People's Political Consultative Conference (CPPCC)

<sup>^</sup>Local Commission for Discipline Inspection.

<sup>4</sup> Adapted from LAIRF, 2020.

mentioned land rent being an important tool. Chinese political sociologist Zhou Xueguang notes that in order to maintain high levels of centralization over a vast territory, the central government employed overlapping and tightly knit governing structures from the central to the local and to the remote villages. At each scale of governance, the centralization model is replicated in that power is concentrated in the hands of a few individuals in the bureaucracy (e.g., mayors and party secretaries), whose power eventually converges on the central state. The center adopts different tools for territorial governance, but confronts uninterrupted controversy and resistance. Such a model constitutes an inherent contradiction of centralization: concentrating almost all important resources within the governing body requires it to assume most of the responsibilities; however, both production activities and human interests are differentiated and pluralistic, and with specialized economic division of labor, a highly centralized whole is incapable of satisfying the demands of diverse interest groups simultaneously (1992: 151-153). Thus, institutional unity is only a superficial phenomenon; the complex and pressing problem of centralization lies in the so-called "informal" interactions. While it is almost impossible to analyze urbanization in China without discussing the state, little is known unless one unravels the heterogeneity within the state.

This article thus interrogates the complexities of Chinese urban entrepreneurialism, opening up the term 'state' to understand the tensions between China's various scales of government and the networks between 'officials' and business groups in order to understand their shaping of different urban formations. It argues that 'state' does not adequately encapsulate the complexities of urban entrepreneurialism in China, and that the market is by no means a mere tool; it has become an ideology that broadly influences inter-governmental relations and development policy in China. Only at exceptional periods, such as catastrophes and crisis outbreaks, does entrepreneurialism governance take a back seat to other priorities.

The paper then discusses four spatial forms that exemplify the neglected complexity of entrepreneurial governance. The discussion of the bizarre spatial forms suggests that the fractured and uneven patterns of urbanization in China should be attributed primarily to the actually existing interaction and conflict between divided self-interested officials and private business actors.

**Complicate urban entrepreneurialism: political entrepreneurs, business group and emergency crisis.**

This subsection explores two particular relationships that constitute the more complex entrepreneurialism governance: business-like interactions between governments; and blurred boundaries and cooperation between government and business organizations. In addition, the article discusses when entrepreneurialism fails and suggests that when a crisis occurs, economic rationality usually gives way to reactive crisis remedies, regardless of cost.

(1) Political entrepreneurs in the party-state

As many argue, local governments in China are bound by a bureaucratic appraisal system and are eager to stand out in performance evaluations. Thus, Chinese officials relentlessly engage in local innovation in order to meet or exceed the goals set for them by the central government, or, simply to make a good impression on their superiors (Zhou, 2009). To what extent do such incentives enable the effective implementation of China's strategic plans on the ground? Discussions of "state entrepreneurialism" seem to assume a homogenous body of actors, treating Chinese officials as a mere team implementing central resolutions, thus leaving more pressing issues unattended: excessive political speculation, incentive distortions, and severe externalities resulting from the market behavior of urban governments.

China's urbanization is not an achievement of construction at the call of state officials, but an unstable and restless interactive process of local self-interested action and constant state readjustment. After several adjustments, GDP performance is no longer a clear criterion for promotion. Beginning in the mid to late 2000s, given the social and ecological damage caused by intense local competition, the central government tended to adopt more diverse promotion targets, including water and air pollution control and maintaining social stability. Yet ambiguous competitive targets have instead inspired more diverse speculation by politicians to cater to the expectations of "creating a harmonious society" (2006) and "finding new growth engines" (2017). Miao and Phelps (2019) provide a telling example. The local government in Hangzhou, Zhejiang province (an eastern coastal city in China), partnered with private

companies to make 'what could be called gambling investments' in the area to create a high-tech town. In 2014, the Hangzhou city government began investing in the construction of a 'dream town' (to attract primarily educated scientific and technical talent), which was subsequently supported by the provincial government. Local officials believe that Hangzhou's investment paid off compared to cities that invested in other sunrise industries such as solar energy. In 2016, the 'Dream Town' was finally recognized by the central government and promoted to a national strategic plan. Three central departments<sup>5</sup> announced they would jointly build 1,000 competitive featured (characteristic) towns to promote tourism, business, modern manufacturing, education, etc. Such feverish efforts for policy innovation also include technology demonstration parks, eco-agriculture, urban-rural integration and city-to-city corporations (Chan and Xian, 2012; Li and Wu, 2012; Eaton and Kostka, 2012).

Assuming that local governments tend to align themselves with the central government rather than work with local businesses is unjustified; in fact, local practices almost always run counter to the goals of central policy. City officials face only more inclusive but complex and diverse economy-centric strategies adopted by the central state. As Eaton and Kostka (2014) argue, the tenure cycle of Chinese cadres discourages them from focusing on long-term and complex goals, opting instead for short-term measures that are cheap, fast, and effective. Chien and Woodworth (2018) suggest a similar conclusion, arguing that Chinese cities are speed machines, with the speed of development routinely coinciding with the tenure of key officials. While the central government continues to modify its regulations, at least three common types of local self-interest are thought to steadily emerge as localities circumvent central regulation and avoid more 'inclusive' development policies: selective implementation, adaptation, and collusion (O'Brien & Li, 1999; Zhou, 2009; Zhou and Lian, 2011).

China's series of "ecological modernization" policies exemplify how central government regulatory measures encounter dilemmas in localities. Despite increased state environmental monitoring and higher energy emission standards, local officials have a strong incentive to "selectively" reduce pollution and conspire with local elites to perfunctorily comply with

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<sup>5</sup> Ministry of Housing & Construction (MHC), Ministry of Finance (MoF), and Reform & Development Committee (RDC)

higher government requirements (Zhou et al., 2013). Among actors within and outside urban governance institutions (including citizens), local governments and business groups are often the least supportive of environmental policies, and their cooperation and complicity largely undermine clean energy initiatives. In particular, businesses with implicit relationships with local officials are more likely to evade eco-friendly policies (Zhan et al., 2013; Zhang et al., 2014).

Similar examples include curbing the expansion of construction land. Local governments have adopted at least two 'workaround' measures to circumvent state restrictions on urban construction land. The first involves 'exchange of targets'. The central government limits quotas for developing new built-up land to each region, which the latter uses in exchange for each other (e.g. Chien, 2013). Through unequal financial compensation or even coercive administrative measures (by higher levels of authority), large cities purchase land development quotas from smaller cities and economically developed provinces purchase quotas from lagging provinces. The second category is the so-called "linking the increase to the decrease"<sup>6</sup>. Local governments forcibly withdraw farmers (in urban jurisdictions) from their residential land and reclaim it as farmland through minimal compensation, raising the "farmland" target in exchange for construction land targets. Typically, provincial or municipal governments concentrate important privileges, finances, etc. in specific spaces at the expense of other areas within their jurisdictions. This is consistent with Brenner's (2004) observation of newly regulated spaces in Western Europe. The difference is that in China, local authorities make such decisions, often against the wishes of the central state, which is not surprising given the vast size of China and the limited attention of the central government. 'Land increase/decrease' often involve eviction of farmers, relocation, etc., and require large amounts of capital. Due to fiscal pressures, firms often undertake these tasks, and the profits created by land development are ultimately shared with them (Li et al. 2014; Zhou and Wang 2015; Jiao and Zhou, 2016).

The so-called "adaptation" actually means that economically developed regions encroach on the resources of lagging regions and social elites encroach on the rights of disadvantaged

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<sup>6</sup> The reduction of farmland within the jurisdiction should be linked to the increase of farmland in other areas, so that the total amount of farmland within the city or province jurisdiction remains unabated.

groups. Rather than arguing that all central control measures have failed, this paper draws attention to the fact that pro-growth urbanization is a contradictory, dynamic and distorting process. In the context of a seemingly more regulated and planned China, policies of brutality and economic liberalization are actually wrapped in a dizzying array of complex narratives. More importantly, local efforts to accomplish or perfunctorily implement the central government's "more inclusive" development strategies often subject citizens or peasants to greater vulnerability, which in turn forces local governments to take on more financial pressure to maintain social stability. In the process, business organizations that are hidden behind the "state" become the de facto beneficiaries by collaborating with the authorities and capture high profits.

## (2) More than rent-seeking: government and business with unclear boundaries

The idea of an urban development alliance is controversial in China, with many opponents arguing that the (local) state, rather than acting as a facilitator of private capital, dominates urban policy and planning, and that the market is a strategy and instrument of the state (Chien and Wu, 2011; Wu, 2016; Qian, 2007). One can hardly deny that, with public ownership, the state has a monopoly on key resources such as land, forests and mineral deposits. However, given the ambiguous business orientation, one should actually question whether the dualistic analytical concept of "state-business" is applicable to China.

First, the analysis of the state-market and state-business dichotomy relies on the assumption of an explicit property rights regime. However, property rights decisions in China tend to be contingent and ad hoc rather than institutional (Haila, 1999a; Haila, 2000). Anna Haila (2007, 2009) argues that many cases of real estate transactions in Asia (Hong Kong, Shanghai, Singapore) confirm that markets can accommodate both utility maximization and the appropriate prerogatives of the state. In other words, transience, uncertainty and change may be the main ingredients of urban governance in China. This conclusion resonates strongly with political economists studying China's market-oriented transition, as the Chinese corporate system, despite decades of market-oriented reforms, remains an ill-defined mix of public and private ownership, leading to a situation where many firms cannot be effectively categorized

as public or private, but should be placed on a continuum (Nee et al. 2007). As of 2012, the State-owned Assets Supervision and Administration Commission (SASAC) directly supervises more than 120 SOEs groups, and an uncountable number of the latter's subsidiaries have been privatized and listed. These privatized subsidiaries at times still enjoy development privileges granted by the state, and the latter remains able to influence the actions of the former to some extent, including decisions to split the company and whether to go public (Wang et al., 2012).

Hybrid property rights and blurred government-business boundaries are more ubiquitous at the local level. Since the 1980s, it has been common for local governments (mainly township governments) to be directly involved in production and investment through the creation and operation of TVEs (Oi, 1992; Walder, 1995; Duckett, 2001). Since the late 1990s, due to central restrictions on borrowing, city governments have established various Urban Investment and Development Corporations (UIDCs<sup>7</sup>) to facilitate investment and financing. After decades of development, these companies, which were considered to be mere financing tools with no profit-making function, have actually developed into business empires controlling many subsidiaries, operating on a cross-regional and cross-territory scale in infrastructure construction, tourism development, manufacturing, and real estate expansion. Due to their excessive involvement in the real estate market, the firms have fallen into varying degrees of debt crisis (Jiang and Waley, 2020; Pan et al., 2017).

Such state-owned enterprises and urban investment companies with unclear property rights have contracted huge numbers of urban construction projects in China, including inter-provincial and inter-city high-speed railway construction (Li et al., 2021), heritage development (Su, 2014) and new town construction (Yin and Liu, 2017), among others. Li et al. (2021) discuss an interesting case in which a central state-owned enterprise building a high-speed railroad in an inland city did not follow the national strategic plan for high-speed railroads to choose a scheme, but negotiated a mutually beneficial scheme with the local authority. The two parties reached an agreement after several negotiations: the enterprise agreed to be located in a "new high-speed railway town" designated by the local government, while the latter

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<sup>7</sup> It is sometimes translated into different names: City Investment Corporation, City Investment Group, etc.

committed to share part of the land lease fee with the enterprise. Given the metamorphic form of business prevalent in post-reform China, one could argue that the Chinese government still retains strong control over the economy or, conversely, that such state-led companies are so diverged and have mostly different goals from the state. They are profit-oriented and operate as institutional investors, enjoying certain privileges granted by the state while acting like private enterprises in the market.

Second, in addition to the confusing mix of ownership, another fact that should have drawn the attention of urban scholars is the blurred line between government and business groups. Although the extent and manner in which government-firm networks operate is subject to disagreement, scholars concur that political connections remain a key resource for private firms in China (Allen et al., 2005; Naughton, 2008); or conversely, that maintaining their relationships with firms is a means for urban regimes to successfully implement policies (Guo, 2020). Specifically, to obtain critical resources, business groups with hybrid or private forms should/are better to build relationships with local states. Given that city governments hold key assets, maintaining a relationship with them may be beneficial in terms of gaining preferential or less costly access to resources, earlier acquisition of policy information, or protection from the government in case of hardships (Arnoldi and Zhang, 2012; Keith et al., 2014; Yang et al, 2020).

In her discussion, Ren (2020:25) notes that city governments in China, (compared to city governments in other countries) have unrestricted power. Mayors and party secretaries usually hold the power to make decisions. They are able to implement policies, including land, infrastructure, and housing, quickly and without public consultation. On the other hand, they also carry the burden of social welfare and public spending that falls on local governments with little support from the central state. It is in this sense that we should understand the relationship between government and business as a mutually beneficial or cooperative one. Rather than contesting the "local coalition" model or the analytical notion of "state domination," "cooperation" may be a better term to capture the give-and-take interaction between the Chinese government and business; and this "cooperation" does not always draw the line at corruption. Both sides do not necessarily share common goals, and yet they continue to form



cooperation. Local states, especially city governments, rely on business groups to ease fiscal pressures, increase employment opportunities, promote economic growth, and potentially prove their political performance in terms of indicators such as "attracting investment" and "innovative urban governance." In turn, business groups enjoy impressively low costs, tax breaks, other development privileges, and surprisingly high profits in exploiting land and other resources.

To whatever extent, urban development in China should be seen as a partnership between local leaders and businesses, rather than as dominated by one or the other. A commonly discussed view is that in pursuit of ambitious development plans, local officials (especially mayors) behave like leading entrepreneurs; less well covered is the fact that business groups are often "good partners" or even "colluders" of the mayor. The reform period saw a number of prominent "Chinese mayors" who were known for rapidly advancing large-scale urban construction or redevelopment in a short period of time, and who were subsequently removed from office and convicted for corruption. An influential former Chinese official (and former leader of Dalian and Chongqing city) Bo Xilai<sup>8</sup> said, 'A city is like a (state-owned) asset, you have to know what is most valuable about it...'. Specifically, attracting businesses at near-free land prices to create industrial value and jobs, and using financial leverage to generate revenue for the government (cited in Keith et al., 2014: 155). Similar, less publicized examples include the Shanghai Party Secretary (Chen Liangyu)<sup>9</sup> and the Kunming Party Secretary (Qiu He)<sup>10</sup>, among others. Municipal leaders and businessmen providing support to each other is seen everywhere in China, and is particularly urgent in the interior, where more financial support is needed (Lanzhou City, Guo, 2020; Hebi City: Liu et al. 2012; Ordos City: Yin, 2018). The

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<sup>8</sup> Former member of the Standing Committee of China's Central Politburo who presided over measures such as urban-rural integration and land auctions in southwest China; sentenced to life imprisonment and expelled from the Party in September 2012 on charges of embezzlement, among others. See Keith Zhai, 2013, 'Focus: The rise and fall of Bo Xilai'. *South China Morning Post*. Accessed October 27, 2021. Available at: <https://www.scmp.com/news/china/article/1298386/rise-and-fall-bo-xilai>

<sup>9</sup> Known for his fancy construction fever in Shanghai; later accused of "creating billionaires from state assets. See Bill Savadove, 2008. 'Ex-Shanghai boss jailed for 18 years' *South China Morning Post*. Accessed October 27, 2021. Available at: [https://www.scmp.com/article/633416/ex-shanghai-boss-jailed-18-years?module=perpetual\\_scroll&pgtype=article&campaign=633416](https://www.scmp.com/article/633416/ex-shanghai-boss-jailed-18-years?module=perpetual_scroll&pgtype=article&campaign=633416)

<sup>10</sup> Known for his "Tear Down the City Campaign" in Kunming (capital of Yunnan Province). Accused of collusion between government and business, illegally selling land and allowing unqualified developers to participate in development, leading to an urban crisis. See *The Beijing News*. 2015. (in Chinese) 'Yunnan's fallen deputy secretary Qiu and the mysterious businessman behind the city-building campaign'. Accessed November 3, 2021. Available at: [http://epaper.bjnews.com.cn/html/2015-03/16/content\\_566580.htm?div=-1](http://epaper.bjnews.com.cn/html/2015-03/16/content_566580.htm?div=-1)

stronger the commercial group, the greater their bargaining power with the government (Schubert and Heberer, 2015). In most cases, heavy public responsibilities and financial difficulties force local governments to seek private investment, which often leads to project distortions and even urban planning dominated by private business groups (Du, 2019; Fu and Lin, 2013; Li and Yuan, 2021).

This collaboration, however, can be precarious. Sudden transfers of officials or unexpected events that cause the central government to revise the priorities on its agenda (discussed in the next section) alter either side's goals, undermining the mutually beneficial relationship. In other words, government-business cooperation in China is subject to political instability. However, the respective incentives of government and business organizations are stable in the long run. The former always seeks to achieve their political ambitions (promotion), while the latter to pursue profit gains, thus making short- or long-term cooperation possible. As Dickson (2007) puts it, Chinese capitalists are actually quite comfortable maintaining the existing, relatively undemocratic system, and they share similar views with the Communist Party officials on a range of political, economic, and social issues, so Chinese capitalists are in fact one of the most important support bases for the current political system. Thus, rather than the "state" using the market as an instrument, it is local governments, derivative organizations and collaborators that monopolize certain aspects of the market and actually cooperate in the process of governing the city to meet their common interests.

### (3) Cases when 'urban entrepreneurialism governance' gives its way

China's complex urban entrepreneurialism governance is predicated on economic decentralization, which means that power will be recentralized when the party-state authorities deem it necessary to reclaim it. However, reclaiming power is only an idealized scenario with no institutional provisions. Instead, the central government usually takes a different short-term approach.

During the reform era, despite Deng Xiaoping's complete rejection of political upheaval, hasty political mobilizations are initiated when policies are not implemented well enough at the local level and provoke a crisis of legitimacy. Generally, the campaigns take place in rural

areas, where leaders are elected by villagers and are not institutionally accountable to higher levels of government, so the party-state is widely perceived to be quite weak in governing rural areas (Kennedy and Chen, 2016). Hasty political mobilization, also known as mass campaigns, enabled the state to rearrange important tasks of the bureaucracy, translate the macro-political and economic goals of the central authorities into grassroots efforts, and direct external resources to policy fronts. Relevant mobilizations during the reform period include patriotic health campaigns, family planning, anti-corruption, and pollution control (White, 1990; Perry, 2011; Liu et al., 2015).

Occasionally, emergency political mobilization-style governance may also sweep through the city. When a sudden crisis or disaster strikes, marketist norms are not abandoned, but the principles of profitability and growth may lose priority for a short time. Central governments mobilize human, material, and even moral resources from the top down, regardless of cost, in response to sudden disasters. Counterpart assistance from provinces/municipalities also activates in times of crisis, when localities briefly stop economic competition and are requested to help each other. One of the most frequently cited examples is that after the 2008 Wenchuan earthquake, wealthier provinces and cities were required to provide one percent of their provincial GDP to assist cities/counties in Sichuan Province with post-disaster reconstruction (for a more detailed discussion, see Sorace, 2017: 135-155). Similar counterpart assistance occurred after the COVID-19 outbreak in Wuhan, Hunan Province, where regions with more developed medical resources provided paired doctors, nurses, and other pharmaceutical support to Hunan provinces/counties (He et al., 2020).

Crisis and disaster response governance often accompanies the rapid removal/promotion of local cadres. A centralized bureaucracy allows for rapid transfers of civilian and military cadres to replace or supplement leadership groups (He et al., 2020). For local governments, controlling the disaster, reducing damage, and maintaining social stability in a short period of time becomes the political bottom line that directly affects their careers at the time or later (Foley et al., 2012). Several governance techniques are employed to respond to disaster situations, including territorial and social control techniques (Ren, 2020; Qian and Hanser, 2020).

Political and business relations in times of crisis can change subtly. Private firms often "voluntarily" share the responsibilities of local governments (Pearson et al., 2021). One possible explanation is that when a public crisis occurs, the private entrepreneur's partner (the government) has changed their core objectives and helping each other accomplish their tasks is the best option, both to continue their mutually beneficial relationship in normal times and to protect the business from unpredictable retaliation by the central party after a disaster (Dickson, 2007; 2017). In addition, participation in aid activities has proven beneficial in terms of political rewards, helping companies to build personal relationships with officials that translate into economic benefits, and helping to circumvent regulatory measures when necessary (Long and Yang, 2006).

Very little clear evidence exists to discern when and how a hasty political campaign ends. There is an observation that a movement ends when crisis remediation fails to make more progress in a short period of time (Kennedy and Chen, 2016), which, however, depends on the outcome of the campaign and how central leaders of the party assesses it.

#### (4) Complex entrepreneurialism

A tantalizing explanation for the unstable political and economic environment of China's cities is that the state has ballooned to the point of internal fragmentation while private forces are stunted, and thus Chinese urbanization is an immature transitional deviance. If we go beyond the analytical state intervention-private capital dichotomy, we can actually argue that each case in China's urbanization process is dynamically shaped by complex forces and that all practices occur within a vague institutional definition.

The discussion above in this article focuses on the varying goals of local authorities' interests and their cooperation with business elites, but does not assume that the central government always imposes more regulation than its local agencies. In the case of environmental monitoring, the central government chooses to acquiesce in order to stabilize growth even when state-owned enterprises are found to engage in heavily polluting production; moreover, many times the central government blames social problems caused by economic growth on poor regulation by local governments, thus putting aside its own responsibility as a

"leader" (Kosta and Nahm, 2017). This means that the state is not always a constant interventionist. If the state does not change its growth-oriented initiatives, China's political institutions, and their accompanying businesses that are outside the political system, will remain a conflicted and complex growth machine. While some of the central government's measures have worked to reduce the externalities of market reforms, both its internal and local branches are facing resistance. As already mentioned, the Chinese Communist Party has split into super-parties that encompass multiple ideologies at the same time (Huang, 2019). The rise of privatized local forces and the Party's bureaucratic teams exploring various scales have turned China's market reforms into a series of capitalist experiments from which no one can exit (Keith et al., 2014: 61-62). In light of these considerations, this paper revises Folong Wu and his colleagues' conceptualization of entrepreneurialism.

**Table 2 Modification of Distinction between Chinese and Western models**

	<b>'The West'</b>	<b>China</b>	<b>Actually existing practices in China</b>	<b>Differences in mode of Entrepreneurialism</b>
<b>Motivations for market reform</b>	Reaction to neoliberal and market pressure	Fix Mao's inefficient and ineffective centrally planned direct-resource allocation	Market-oriented reform/experiments with no exit	(a) Clear or blurred public-private boundaries and alliances/cooperation
<b>Operation of political system</b>	Liberal democracies with institutionalized local elections and private property rights	Party-state leadership in the administration of all spatial scales (national, provincial, prefectural, county level and town and township level)	Decentralized, fragmented and self-interested, accompanied by short-term mass campaigns; constant local policy distortions and government-business cooperation and complicity	(b) Mechanism of local state coordination (competitive or forced to collaborate) (c) Contingent and tendentious cooperation of local states and enterprises in governance
<b>Land ownership</b>	Can be privately owned	State-owned in urban and collectively-owned in rural	Actually Existing 'illegal' transfers and 'land selling'	(d) City as the growth machine/ Space for complex entrepreneurial practices

China's four decades of complex practices have produced many different forms of urban space, the most widely discussed being the foreign capital driven 'world factories' and

metropolises in the coastal areas. Among these, hukou restrictions and mass migration have shaped the 'urban village', as one of the most exemplary contextually distinct spaces. Additionally, this paper calls attention to more spaces shaped by a combination of multiple forces, especially the spatial patterns that result from the frenzied construction of power politics and economics in the interior and the countryside. These phenomena have been captured by some academic observations, but remain fragmented. Such spaces grow large and expand rapidly, ultimately shaped by a variety of informal interactions and institutional ambiguities. They are both the arenas and the consequences of complex entrepreneurial governance.

### **Fragmented Territories and Entrepreneurial Space**

Cliché as it may sound, this article must repeat that China's urban transformation and its economic liberalization are two processes in one. Extensive research has been conducted on the bizarre shape of China's cities, the rare rate of land expansion, and the massive waves of migration. At least four additional spatial patterns are the product of interactions between central government, local officials, and commercial entities. Their constant negotiations, not necessarily effective planning, shape contested spaces.

#### (1) empty space/ 'ghost cities'

Vacant land in China includes commercial complexes<sup>11</sup>, sports stadiums<sup>12</sup> and empty cities scattered across the country. These places generally have developed infrastructure and favorable public services, but are not very attractive to industries and migrations. Ordos, the 'ghost city' that once attracted widespread attention, is representative of empty spaces that have not experienced the glorious industrialization and decaying downward spiral of Detroit or Birmingham. The 'ghost city' refers to the Kangbashi district of Ordos city in Inner Mongolia, western China, a 'new town' created by the city government and real estate groups (Yin et al., 2018). Kangbashi district is actually the result of the hard work of Ordos government and other elites, and its construction involves the process of planning, land acquisition and relocation of

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<sup>11</sup> It is estimated that 19 cities in China have commercial complexes with vacancy rates exceeding 30% in 2020. See JLL, 2021.

<sup>12</sup> Xue and Mason, 2019.

enterprises and residents. However, Ordos has difficulty attracting industrial investment and migration due to its location far inland. Kangbashi eventually turned into a real estate ghost town with few people moving in. Empty cities like Ordos are very common in China, including Daya Bay (Huizhou City), Lanzhou New Town, Jiayuguan Ghost Town, and Sanya (Hainan Province). They are all vacant for similar reasons, with local governments partnering with real estate groups to create new properties and market them extensively while failing to have house owners move there.

In discussing the madness of economic rationality, David Harvey (2018: 183-184) suggests that "ghost cities" are part of China's efforts to stimulate productive consumption (the rest includes roads, water systems, airports, etc.), alleviate debt, and absorb surplus and potentially restless labor in times of economic crisis. This is a compelling explanation considering the large number of inland urban development projects and railroad construction that occurred in the latter years of the 2000s. However, this explanation should be understood contextually. Without the arbitrary power of China's city governments, these projects might not have proceeded at such an alarming pace and scale. On the other hand, the one-child policy has created a serious gender imbalance in a heavily gender-biased China, leading to the marriage market where men with houses are more attractive candidates. Such bias has been exploited by the marketing part of the real estate conglomerates, thus making 'house' in China not only a residential and investment commodity, but also a sign of social status (Wei et al., 2016; Yang, Guariglia and Horsewood, 2021). These rarely occupied but well purchased properties plague the ghost cities. As of 2012, China had 3,643 km<sup>2</sup> of 'empty cities' (He et al., 2016).

## (2) Deserted space/incomplete projects

As its name suggests, deserted spaces are those occupied by abandoned large-scale urban projects, referred to in China as *lanwei* (unfinished). Large-scale projects are usually initiated by ambitious officials and in collaboration with a diverse group of entrepreneurs. As mentioned earlier, city governments have unparalleled resources and social power, and business partners can provide them with funding. Yet their cooperation sometimes is undermined by China's institutional ambiguity. The most common reason for project disruption is the removal of

officials due to accusations of "corruption". In most cases, the successors of city officials abandon these old projects - continuing the projects of corrupt people would mean disloyalty to the party. As a result, companies previously involved in the development had to suspend construction because their cooperation was often based on informal contracts that were not legally guaranteed. In other cases, officials' short-sightedness and eagerness to achieve their goals prompted them to work with poorly qualified companies, leading to frequent financial breakdowns.

*Lanwei* is quite frequent. The most famous among them was in the city of Kunming in Yunnan province (an example mentioned previously). In the 2000s, the then-city leader launched a "city-building campaign" in Yunnan province and worked with a large number of qualified or unqualified developers to complete the projects. When he stepped down due to corruption, he left behind a large number of unfinished projects, many of which have seen developers go bankrupt. As of 2021, the city still has more than 90 unfinished projects.<sup>13</sup>

A similar example is Nanyang city in central province Henan. Starting in 2009, Nanyang invested more than CNY 34 billion in 1 year (equivalent to the city's previous 30 years of financial expenditure) to undertake the 'National Farmers' Games'. The municipality decided to rebuild infrastructure and hotels (including 13 large venues) and renovate 24 urban villages. The debt resulting from these projects was again relieved by real estate developers (who paid rents and taxes). The city started construction on more than CNY 5 billion of real estate projects in 2012, roughly the same as its previous 10 years combined. Companies involved in real estate development soon encountered financial breakdowns and exposed a series of illegal facts that angered the central authorities, including corruption, loan sharks, shell companies, and Jerry-built projects. Since 2014, Nanyang City has been embroiled in a debt dispute and is still known as the City of *Lanwei*.<sup>14</sup>

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<sup>13</sup> See Gao, 2021. 'Hundreds of rotten buildings in Yunnan are being renovated speedily' Zhongfang. Accessed November 3, 2021. Available at: <http://m.fangchan.com/news/1/2021-08-09/6830301149321826885.html>; Zhou (2021), "China Blows Up 15 High-Rises Because Constructors Ran Out of Money to Finish Them." *Vice*, Accessed November 3, 2021. Available at: <https://www.vice.com/en/article/e3n3bp/china-demolition-building-kunming>

<sup>14</sup> Nanyang Municipal Government, 2012. 'Report on the Work of the Government, Delivered at the forth Session of the 4th National People's Congress on January 31, 2012, Mayor Mu Weiming'. Nanyang Government Website.  
Nanyang Municipal Government, 2013. 'Report on the Work of the Government, Delivered at the Sixth Session of the 4th National People's Congress on January 16, 2013, Mayor Cheng Zhiming'. Nanyang Government Website.



### (3) Hybrid rural space: urbanism in Chinese countryside

Since 2006, in order to 'create a harmonious society', the CCP has decided to intensify its investment in rural areas and launched 'Building a New Socialist Countryside' (2007), 'National New Urbanization Development Plan ' (2014) and 'Targeted Poverty Alleviation' (2015), among other programs. Although still restricted from attracting certain kinds of foreign investment, financial loans, etc., rural governments (county and below) are encouraged to vigorously pursue investment (especially domestic ones) and undertake construction projects. 'Advanced' urban development plans and capital from economically developed cities entering rural areas have reshaped rural spaces. In addition to agricultural processing, entertainment industries, service industries (hotels, catering) and real estate have been introduced into the countryside. Due to the collective ownership of land and *hukou* restrictions, some peasants were not willing to give up their land and they still lived in their self-built houses. Villages where land acquisition negotiations failed have thus witnessed a bizarre scene: high-end commercial buildings and traditional rural villages coexist in what is known as a hybrid rural space, or 'space for experiential services'. (Donaldson, 2007, 2011; and see Bai, 2019<sup>15</sup>).

Not all attempts in rural areas have been successful, especially those located in the hinterland. Similar dilemmas faced by inland cities plague rural spaces, such as the frequently reported *Lanwei* and empty/ghostly rural spaces<sup>16</sup>.

### (4) Hybrid rural space: New 'World Factory' in coastal villages

Despite the criticism, the Chinese government's long-standing infrastructure building frenzy does seem to have some positive achievements. As they invest heavily in transportation, electricity, water and networks, cross-regional chains of commodity production and delivery have been possible. Industrial spaces have emerged in China that are not treated as either urban or traditional rural areas, such as Taobao villages<sup>17</sup>. Rural areas specializing in garment

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Que A.M., (2011, January 19). 'Liuyingyichuang, Welcome a New Livable Nanyang.' *Henan Daily*, p1.

Lu B.Y., (2019, July 26). 'How Nanyang Became the City of *Lanwei*'. *Southern Weekly*.

<sup>15</sup> Baihua, 2019.

<sup>16</sup> Luna Sun, (2021, November 6).

<sup>17</sup> Also known as e-commerce villages.

production and processing are representative of the new rural space, exemplified by villages in northern Guangdong (outside the Pearl River Delta): complete production, processing, wholesaling, retailing and logistics & distribution usually take place in a set of rural settlement. Middle-aged and older women are the main labor force for fabric processing and garment tailoring, working in factories or small family workshops; the clothes are then sent to a centralized wholesaler in the village and sold to young people who run online stores. Most of the wholesalers and online store owners are young people who invite clothing models from coastal cities to shoot advertisements for them. The clothes are usually distributed to the domestic market, but may also be distributed to Africa through middlemen in Guangzhou.

"Running an Online Store" was initially started by young migrant people who returned to the countryside and brought back urban internet business skills, followed by investment from Chinese internet giants and support from local governments. In such rural areas, arable land has been leased or abandoned, and farmers no longer farm but still live in self-built houses. Specifically, the strict urban-rural hukou distinction seems to have inadvertently encouraged many migrant workers to bring their skills back to rural. In addition, Chinese business empire Alibaba's rural program and government policies to promote the rural economy incentivize more e-commerce villages (Lin et al., 2016). This is seemingly a more promising space, creating a large number of jobs, but also bringing industrial pollution and labor exploitation to places where not much scholarly attention has yet been paid. In these cases, rather than people moving to the city for jobs, industry is "leaving the city for people".

In the context of China's increasing integration into the global economic division of labor, more emergent spaces should be identified that spatialize the government's interactions with business organizations and other local actors (especially local elites). While these discussions do not deny the driving forces of the state or capital, this is an attempt to reexamine the contingencies and complexities of urban governance and how they are spatialized.

## **Conclusions and Discussion:**

### **Seeing the real urgent issues behind the scene**

This article discusses the politically unstable, economically tendentious, and

geographically fragmented urban entrepreneurialism in China. Having deconstructed 'the state', it goes on to argue that the binary analytical concept of state-business may not be applicable to China's pan-state context, and points to the actual informal links between government and business organizations. It argues that state-market interactions in cities are in fact realized in the actual interaction of each scenario, and that many activities escape capture by academic concepts because of China's vague institutions and rules. Given China's tradition of political mobilization, this article considers when entrepreneurialism may fail and introduces emerging forms of urban space as arenas for complex entrepreneurialism.

Overall, this article is an attempt to revisit the debate of urban entrepreneurialism, where Chinese urban scholars are cautious in their discussions of 'privatization'. Rather than considering how potential urban elite groups might cooperate, a nominally infallible but weakly explanatory 'state-led' framework has been adopted, unwieldy in its inclusion of divided, shifting, and often conflicting actors with competing interests. This paper considers that viewing cities as mere political vessels presided over by the "state" is just as dangerous as viewing Chinese cities as arenas for free market governance.

Caution about the growth coalition framework and a preference for state-led market interpretations might leave out important issues. The pressing question in China may not be whether the state or private capital has more institutional dominance in cities - the answer clearly points to the party state and its agencies - but rather how flexible and ambiguous corporate systems, land transfer, and policy making mechanisms, for example, fit with contingent and unstable entrepreneurial decisions. Moreover, how do private forces and local governments maintain a tenuous - albeit sometimes turbulent - ongoing cooperation in the midst of divisive and conflicting governance practices? And, perhaps most importantly, how do ordinary people, deprived of substantial benefits and forced to bear the burden of exorbitant housing and poor social security, resist and raise their voices against powerful governments and privileged developers. The 'mass organizations' of workers, women, youth and academics carried over from the socialist era still claim to represent 'the people of the Party', so 'civil society' is not considered applicable to China (Franceschini and Sorace, 2019). In response to political and commercial cooperation, if not alliances, civil resistance is usually one-off,

sustained by specific events, with little long-term organization (Zhou, 2015).

In all of the above discussions, the voices of the community and the underclass have been ignored in this paper. Fortunately, there is already available literature that notes how powerless citizens (and rural residents) act in complex entrepreneurial governance. They are in fact also actors in urbanization in a pan-state context, but the former has little strength and power compared to government and business groups. Nevertheless, their struggles and experiences should be discussed to complement and enrich the imaginations. Particularly in the hinterland, continued commodification and deruralization produce a "new" urban population, but still mixed with so-called rural traditions. Thus, more contextualized cases should be expected.

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