

A Preliminary Exploration of Government Policies in The Development History of Chongqing's Real Estate Industry

Chenchen Feng*

Chongqing University, Chongqing, China

*Corresponding author: Fengcc9@163.com

Keywords: Real estate, Policy, Chongqing

Abstract: In recent years, there has been a great number of government studies on the governance of the real estate industry, and the government has adopted a large number of policies to guide the development of the real estate industry, but the academic community generally believes that there are certain problems in the development of the real estate industry. The main contradictions currently faced are as follows, on the one hand, the need for the state to use administrative means to regulate the market due to its self-regulatory deficiencies; on the other hand, the normal functioning of the market has been affected to a certain extent by excessive government intervention. In order to solve the development dilemma, this paper takes the study of governmental behavior in the development of Chongqing's real estate industry as its topic, analyses the history of the Chongqing government's governance of the real estate industry, analyses the existing problems and causes, and finally tries to put forward feasible suggestions. This paper aims to promote the healthy and stable development of the real estate industry and make efforts to protect and improve people's livelihood in the housing sector in Chongqing.

1. Introduction

In recent years, the real estate industry has been maintaining a high level of development [1], which can be regarded as an important phenomenal industry in China's economic development. The healthy and stable development of the real estate industry directly affects the living standard of residents [2]. At the same time, the development of real estate industry involves various industries such as steel, cement, metal materials, construction, sales, property management and services, etc. One of the most representative characteristics of these industries is that they require a large amount of labor, so this also causes the real estate industry to be a typical capital-intensive and labor-intensive basic industry of the national economy [3]. Since the industrial chain of real estate industry is relatively long and involves more related industries, the real estate industry has an obvious leading role for related industries. Therefore, as a key industry closely related to the development of the country and the people's livelihood, it is important for government departments to manage it reasonably and effectively and guide the stable and healthy development of the real estate industry [4].

As the most populous and largest municipality directly under the Central Government in China, Chongqing is a pivotal city in the western part of the country [5]. Against the backdrop that Chongqing has huge room for growth in developing urbanization, sorting out the impact of the real estate industry on economic development, giving play to the decisive role of the market in resource allocation, and exploring countermeasures for the government to regulate and guide the healthy development of the real estate industry are hot issues of concern to the government and the academic community [6].

For Chongqing, due to the rapid development, the whole city has undergone a radical change, and while reaping the fruits of development, the development of the local real estate industry has also accumulated a very large number of problems [7]. At the same time, as China is still in the primary stage of socialist development, the development of the real estate industry is still lacking in both theoretical research and practical experience. In addition, due to the special nature of the real estate industry, it has received extensive attention from all walks of life and has been a hot topic that has touched people's hearts and minds over the years. Therefore, it is important to respond to people's

aspirations and achieve stable national development, analyze in-depth the development of China's real estate market, summarize the lessons learned, and carry out rational management in conjunction with China's development strategy.

According to the long experience of the government in governing the real estate industry, it is a difficult and complex challenge for the government to regulate and guide the healthy development of the real estate industry [8]. At present, there are three main problems in the government's efforts to regulate and guide the healthy development of the real estate industry: first, the government cannot find the relationship between management and the market, the government's authority and responsibility boundaries are not clear, and there are cases of indiscriminate action; second, the government's focus is mainly on the industry itself, and not enough attention is paid to the endogenous linkage and integrated development of the whole industrial chain of real estate; third, the economic risks faced by the real estate industry is still relatively prominent, and the public has long been concerned about the fervor.

2. Review of policies in the development of Chongqing's real estate industry

Research on government management of the Chongqing real estate industry can be broadly divided into the following stages in chronological order.

2.1 The beginning of reform and the government's attempts to manage the development of the real estate industry (1988-1997)

On 25 February 1988, China officially promulgated the Notice on the Issuance of the Implementation Plan for the Phased Implementation of the Housing System Reform in Cities and Towns Across the Country, which set out two reform objectives, namely the commercialization of housing and the change of housing allocation in-kind to monetary allocation. In June 1993, the State put forward 16 policy guidance measures to achieve a stable economic landing. On 18 July 1994, the State promulgated the State Council Decision on Deepening the Reform of the Urban Housing System, clearly stating that the reform of the housing system was carried out to further adapt to the development of the socialist market economy and to provide the necessary housing security for residents.

Against the backdrop of state regulation of the real estate industry, the Chongqing municipal government made an attempt to manage the real estate industry. In December 1995, the first housing fair in Chongqing was successfully held in Yu Zhong District. At the fair, the government made a breakthrough by reducing taxes and fees on both sides from 11.5% to 1.75%, which greatly stimulated real estate transactions. The first fair was also a strong signal released by the Chongqing municipal government and a practical attempt by the government to develop the real estate industry in Chongqing.

2.2 The reform was launched to stimulate housing consumption demand and drive economic development (1998-2002)

In July 1998, the State Council promulgated Circular No. 23 on Further Deepening the Reform of the Urban Housing System and Accelerating Housing Construction, which announced the formal end of the old welfare housing system and kicked off the prelude to the commercialization of housing in China. In 2000, the Central Bank issued the Notice on Regulating Housing Finance Business; and a series of supporting documents, which promoted the initial completion of the institutional system for housing consumption through the government's binding management of some forces from finance, management, land, and transactions.

In the context of the national housing reform, in June 2000, the Chongqing Urban Real Estate Development and Operation Regulations were formally implemented, which actively adapted to the economic and social development situation in Chongqing, regulated the behavior of real estate developers, and made a greater contribution to the stabilization of the Chongqing real estate market, and ultimately benefited the development of the entire industry, consumers and investors through the prosperity and stability of the market[9].

2.3 Curbing overheated property development and stabilizing housing prices (2003-2007)

After the first round of stimulating housing demand, the phenomenon of overheating in China's real estate industry has become increasingly prominent. In 2003, the real estate industry was formally established as a pillar industry with the issuance of the Notice of the State Council on Promoting the Sustainable and Healthy Development of the Real Estate Market, and in October 2004, the Central Bank raised the deposit and loan interest rates to curb the development of the real estate industry through monetary policy. In March 2005, after the government's vigorous management in the previous two years, the overheated investment in the real estate market eased somewhat, but housing prices still continued to rise. Subsequently, the government introduced a series of intensive policies to make a great impact on the real estate industry, but the development of the real estate industry, as well as housing prices were not well controlled [10].

During this period, Chongqing's real estate industry has some development under the guidance of the government. From 2003 onwards, major shopping areas in the main urban areas began to rise on a large scale, and through the construction of shopping areas, the development of urban construction was promoted and the mode of shopping areas entered the life of the general public. 9 June 2007, the Chongqing National Comprehensive Urban and Rural Reform Pilot Zone were established, and this national pilot zone greatly stimulated the real estate market in Chongqing and injected new vitality into the development of Chongqing's real estate industry.

2.4 Responding to the international financial crisis and stimulating housing consumption (2008-2009)

In 2008, the global financial crisis broke out and spread to China. In order to achieve stable economic growth and to avoid the US sub-prime mortgage crisis threatening China's real estate market, the Chinese government began to shift, its policy on the management of the real estate industry from inhibition to stimulation, introducing credit support, tax relief policies and vigorously increasing the supply of subsidized housing, which led to a further substantial increase in house prices during this period.

During this period, the real estate industry in Chongqing also grew by leaps and bounds. With the further acceleration of urban construction, the Chongqing bypass expressway began operating in December 2009, with all toll stations within the Inner Ring Road moving out. A mega-city development pattern with a larger, geographical area covering a larger population has been formed.

2.5 Curbing Excessive Development in the Real Estate Sector (2010-2013)

China's economy began to recover in 2009 and the loose policies of the last two years led to excessively rapid growth in house prices. In response to the excessive growth in house prices, the government's real estate management entered another round of suppression. In December 2009, the State Council once again called for the continued use of the use of land, taxation, and finance to curb the excessive rise in house prices. With this as a marker, China's real estate regulation and control policy entered another new period. From April 2010 onwards, our government frequently formulated policies to manage the real estate industry and the curbing of the development of the real estate industry began in full swing.

On 18 June 2010, Chongqing established the country's third new district, the Chongqing Liangjiang New District, which became the first inland bonded port area in China. Subsequently, on 28 January 2011, the pilot reform of the property tax levied on individual houses in Chongqing was launched, which is also a bold attempt to manage industrial development through direct taxation of the real estate industry in the country [11].

2.6 Safeguarding the stable development of the real estate industry (2014-2016)

In 2014, the downward pressure on the national economy intensified and the Central Government proposed that the growth rate of economic development should shift to a new normal. In December 2016, the Central Economic Work Conference put forward the requirement of "promoting the steady and sound development of the real estate market": we should adhere to the positioning of "houses are

for living in, not speculation”. We should actively explore a long-term mechanism that is suitable for China’s development, adapts to economic development, meets the needs of the people and conforms to the laws of market operation, and further curbs and eliminates the real estate bubble, while also vigorously preventing drastic fluctuations in the real estate market. The change in the positioning of government functions triggered by economic development has further caused a shift in government management thinking from “stabilizing growth” to “preventing risks” and “promoting reform” under the current economic development trend.

During this period, the Chongqing municipal government also made positive explorations on the development of the real estate industry [12]. In October 2015, the Chongqing municipal government issued the Notice on Further Promoting the Stable Development of the Real Estate Market and the eight new policies of Chongqing were introduced. The Notice stipulates that real estate enterprises may adjust the timing of the commencement and completion of idle land, the ratio of commercial to residential units in unsold commercial housing projects, and adjust the household structure of unsold commercial housing units; that sales shall not be split into retail units, sold and rented back, and other irregularities; and that financial institutions shall be encouraged to grant loans to real estate enterprises and home buyers while re-emphasizing that the down payment ratio for the first suite shall be reduced to 25% and that the down payment ratio for provident fund loans shall be adjusted to 20%.

2.7 Exploring long term mechanisms by city-specific policies (2016-)

At 9 am on 22 May 2020, the Third Session of the 13th National People’s Congress (NPC) opened in the Great Hall of the People in Beijing with Premier Li Keqiang delivering the Government Work Report. The key points were: “Deepen the new type of urbanization. Give full play to the comprehensive driving role of central cities and urban clusters, cultivate industries, and increase employment. Adhere to the positioning that houses are for living and not for speculation, adopt city-specific policies, promote the stable and healthy development of the real estate market, improve people-friendly facilities, and make cities more livable. In 2021 early December, the Central Economic Work Conference was held in Beijing, and for the third consecutive year, the development of the housing rental market was identified as an annual priority. As the size of the mobile population continues to expand and the size of family households continues to shrink, China’s housing rental market demand continues to grow and the housing rental market is ushering in a period of vigorous development.

During this phase, Chongqing revised and released the Interim Measures on the Launching of the Pilot Reform of Property Tax on Some Individual Houses in Chongqing and the Implementation Rules for the Administration of Property Tax on Individual Houses in Chongqing, adjusting the objects of property tax levy and providing further clarity on the rules for the levy of property tax. The government’s efforts to regulate and guide the development of Chongqing’s real estate industry in the new period fully reflect the central thinking and lay the foundation for the next phase of work.

3. An analysis of the problems of the government in regulating and guiding the development of Chongqing’s real estate industry

3.1 The influence of administrative instruments is too pronounced

The government’s influence on the development of the real estate industry through finance, taxation, land supply, administrative orders, and urban planning is enormous, and the introduction of a policy always causes dramatic fluctuations in the real estate market [13]. At the level of society as a whole, it seems that when the government introduces specific initiatives to influence the development of the real estate industry, the public often does not believe that the government can effectively control the development of real estate and guide the regulation of the real estate market, while at the individual level they are profoundly influenced by the government’s relevant policies, and any rise or fall in property prices will cause them to develop a kind of panic behavior and easily fall into blind following. Due to the irrational behavior of society, the government’s regulation and guidance of Chongqing’s real estate industry must be prudent and applied to a degree that places a very high demand on

government governance.

3.2 Shortcomings in guiding the coordinated development of the industry chain

The government does not pay enough attention to the coordinated development of the real estate industry chain industries. In the relevant policies that the government has issued and introduced, we can see that the government tends to perform government governance duties by means of planning, land, finance, household registration, and taxation from the real estate industry itself, which does not promote the healthy and stable development of the real estate industry. In the long term, and these policies should only be used as short-term contingency initiatives. In the process of creating an external environment for the development of the real estate industry, more attention should be paid to the development of related industries, the supply-side structural reform of the real estate industry, the supply side is not only the real estate development itself, but should focus on the more front-end related industries, to coordinate the development of one to promote government governance means of innovation to strengthen a more effective and healthy market resource allocation capacity.

3.3 Deficiencies in adapting to local conditions and precise policy

The situation faced by different districts and counties in Chongqing, or even different locations in the same region, is very different due to the large gap between urban and rural development levels. Some areas within the Liangjiang New Area may not have the problem of de-stocking, but rather face the problem of inventory expansion, with the market being in a state of chronic undersupply, while the pressure to de-stock in Shapingba District, Dadukou District, and even some districts and counties further away from the main city, is actually very obvious. This reality has caused the city to formulate policies, and even the districts and counties themselves to introduce relevant policies, which do not actually fit the actual problems faced by some places, do not help to solve the actual problems, and may even have the opposite effect. Faced with this situation, it may be more trusting to the market, relying on the market for self-mediation and resource allocation may be the only viable way.

4. Conclusions

The government's governance of the development of the real estate industry is not disorderly and unlimited. Under the conditions of the market economy at the primary stage of socialism in China, the market needs the government to regulate and respond within certain limits, but it also needs the government to create an external environment that allows the market to function better. The "visible hand" of the government should more often than not guide the market to mediate itself. In the face of the realities of the development of Chongqing's real estate industry, this paper proposes the following three rough countermeasures in order to achieve the strategic objectives of development and to promote the coordinated, healthy, and stable development of Chongqing's real estate industry and related industries.

(1) Accelerate the transformation of government functions to improve the way of government governance. Precise positioning of government functions and effective government governance is an inevitable requirement for China to give full play to the advantages of the socialist market economy system. The government regulates and guides the healthy development of Chongqing's real estate industry to innovate government governance ideas and methods and improve the government's governance capacity.

(2) Give full play to the government's role in regulating and guiding the healthy development of the real estate industry. The real estate industry is subject to the constraints of the spatial environment in which it is located and the development context, and the government should take full account of the local strategic positioning and development level when carrying out governance. At the same time, the government should pay attention to the changes in the financial market and guard against the risks that may arise. Although the government should not intervene too much or too often in the development of the real estate industry, it is necessary to take good precautions against risks and provide double insurance for the market to regulate itself.

(3) Promote a decisive role for the market in the allocation of resources. There should be clarity on

when to intervene in the event of market failure and caution in the use of administrative-command-type policies. Try to withdraw from some unnecessary micro-management and rely on social organizations to cultivate a sound market environment, both to fully grasp the market situation and to give the market a wider scope for growth.

The countermeasures and suggestions put forward in this paper are only some superficial thinking, some countermeasures and suggestions have been implemented, and some are limited by various realistic factors to be tested by practice.

References

- [1] Lee Chin,Xiaoran Li. House prices and bank credit in China: analysis of first- and second-tier cities[J]. *International Journal of Housing Markets and Analysis*,2021,14(4).
- [2] Zheng Xiang,Zhang Ruiping. An Empirical Study of Government Regulation System of the Real Estate Development Land in Beijing[J]. *Energy Procedia*,2011,13.
- [3] Jie Xiao,Zhongxin Ni. A Research on Volatility Spillover Effect between Real Estate Industry Index and other Related Industries Based on MGARCH[J]. *Journal of Physics: Conference Series*,2020,1549(4).
- [4] LIU Jiajia,DAI Wei,LI Xiuting,DONG Zhi,DONG Jichang.The Differentiated Effect of Administrative Policy in China's Housing Market——Based on the Heterogeneous Households Multi-Agent Model[J].*Journal of Systems Science & Complexity*,2020,33(01):167-195.
- [5] Li Kefeng. Research on the Marketing Strategy of Real Estate in Chongqing Under the New Situation[P]. 2020 International Conference on Social Science, Economics and Education Research (SSEER 2020),2020.
- [6] LI RUAN, DONG JE CHO. Research on the reform pilot project of real estate tax in China - Reflection on the reform of real estate tax in Chongqing and Shanghai[J]. *Dong-A Journal of International Business Transactions Law*,2018,23.
- [7] LI RUAN, DONG JE CHO. Research on the reform pilot project of real estate tax in China - Reflection on the reform of real estate tax in Chongqing and Shanghai[J]. *Dong-A Journal of International Business Transactions Law*,2018,23.
- [8] Anonymous. Research and Markets Adds Report: 'Japanese Real Estate Market: Sector Report'[J]. *Manufacturing Close - Up*,2010.
- [9] Long Xing,Han Kwangsuk,Sun Zhaojun. Analysis of Real Estate Market of China: Focus on Main Cities[J]. *Journal of China Studies*,2018,21(3).
- [10] Mueller Andrew,Sanderford Drew. A Summary of Recent Urban Form Literature and Discussion of the Implications for Real Estate Developers and Investors[J]. *Journal of Real Estate Literature*,2020,28(1).
- [11] Yao Jingyu. Analysis on the Situation of Chinese Housing Bubble[P]. 6th International Conference on Financial Innovation and Economic Development (ICFIED 2021),2021.
- [12] Wu,Tidwell. Inflation-hedging properties of regional Chinese real estate market: evidence from 35 cities in China[J]. *Applied Economics*,2015,47(60).
- [13] Tong Bai,Yu Zhao. Macro-control, Micro-control and Real Estate Market Stability[J]. *Academic Journal of Business & Management*,2020,2.0(7.0).