China’s Phantom Urbanisation and the Pathology of Ghost Cities

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\textbf{ABSTRACT}
This article examines the production of China’s “ghost cities” and constant urban expansion to challenge the dominant conceptual narrative of rural-to-urban migration as the driver of urbanisation. It argues that behind China’s “miraculous” urbanisation story is a powerful ideological commitment to urban growth as the “royal road” to modernity and assessment of political performance. Local governments have a wide-ranging “tool-kit” for pursuing urbanisation, ranging from administrative border-drawing to expropriation of rural land and investment in expanding urban infrastructures. Urbanisation is the destination to which all paths seem to lead. Indeed, local states pursue the construction of new urban space, even when doing so harms them financially. But why? The concept of phantom urbanisation names the process whereby constructing the aesthetic form of the urban is even more important to local state actors than economic, demographic or environmental repercussions.

\textbf{KEYWORDS}
China; urbanisation; ghost cities; political economy; aesthetics

Today the tragedy of the Great Leap Forward is repeating as the comedy of the rapid capitalist Great Leap Forward into modernization, with the old slogan “an iron foundry in every village” reemerging as “a skyscraper on every street” (Žižek 2011, 718).

Urban development since the mid-nineteenth century, if not before, has always been speculative, but the speculative scale of the Chinese development seems to be of an entirely different order than anything before in human history (Harvey 2013, 60).

The conventional wisdom regarding China’s urbanisation follows a standard narrative, combining assumptions regarding rural-to-urban migration, modernisation and development. As China attempts to transition from an export-driven economy to one based on domestic consumption, urbanisation both absorbs investment and creates urban consumers, who tend to consume more than their rural counterparts (Harvey 2008, 25; Walker and Buck 2007, 50). Even though China’s property market is plagued with myriad inefficiencies and excesses, investors and observers alike have tended to see over-supply problems as temporary, to be resolved as ever-more rural villagers migrate to China’s cities. In the words of economist Stephen Roach (2012), China’s development is “the greatest urbanisation story the world has ever seen...[A]ccording to OECD
projections, China’s already burgeoning urban population should expand by more than 300 million by 2030... today’s so-called ghost cities quickly become tomorrow’s thriving metropolitan areas.” China’s miraculous urbanisation story and future economic growth are one of those “remarkably resilient narratives” (Li 2009, 69) that rest on the magical formula “if you build it, they will come.” Even critics, who argue that China’s urbanisation is not occurring through market mechanisms but by state-led top-down planning and forced migration, still accept the basic co-ordinates of the rural-to-urban migration narrative (The New York Times, June 6, 2013).

In China’s scholarly, policy and popular discourses, however, a counter-narrative of “urban pathologies” tracks the problems caused by high-speed urban development, such as empty housing, population overcrowding, ecological destruction and deteriorating infrastructures (DRCSC 2012; Yin 2010). Indeed, many Chinese scholars and policy analysts use neologisms like “fake urbanisation” [伪城市化], “half urbanisation” [半城市化] (ARDHMC 2010–2011), “impetuous urbanisation” [冒进城市化] (Yuan 2008), and urbanisation yielding a “city without a city” [有城无市 – literally, walls without a market] (Zhu 2011) to describe the phenomenon of building what resembles a city in name and morphology only. In a stark reversal of patterns typical across the developing world – where millions of people urbanise in the absence of urbanised land or infrastructure – China’s urbanisation of land and creation of infrastructure often far outpace the urbanisation of its people.

The discourse of “urban pathology” poses a conceptual quandary: does the term “urbanisation” in China still connect to a reliable and identifiable referent? Or, might its “definitional contours have become unmanageably slippery” (Brenner 2013, 91)? What we call phantom urbanisation challenges many unexamined assumptions behind China’s urbanisation narrative by disentangling the production of an urban carapace from traditional processes of urbanisation. Without the myth of future waves of rural migrants who will some day by some unspecified means afford new urban housing, what remains is the proliferation of urban forms divorced from urban practices and uses. Ghost cities are the extreme pathological expression of this syndrome of phantom urbanisation.

Behind China’s “miraculous” urbanisation story is a powerful ideological commitment to urban growth as the “royal road” to modernity and assessment of political performance [政绩]. Local governments have a wide-ranging “tool-kit” for pursuing urbanisation, ranging from administrative border-drawing to expropriation of rural land and investment in expanding urban infrastructures. Even when urbanisation is forced, counter-productive, or fabricated, it is the destination to which all paths lead. Even when building new urban space is financially detrimental to local states, they pursue it regardless. But why? Our concept of phantom urbanisation names the process whereby constructing the aesthetic form of the urban is even more important to local state actors than economic, demographic or environmental repercussions (Cartier and Tomba 2012).

One pathway to urbanisation for local officials is to change and “upgrade” the administrative status of a locality, without necessarily improving its material condition. Chinese society has long been marked by the sharp administrative separation of urban and rural spaces. But, if a place is named a city administratively, is it thus a city? This question is not theoretical navel-gazing, but the mark of a lag between our
conventional conceptual apparatus and a dynamic of so-called urbanisation by administrative fiat. A wave of urbanisation occurred via the administrative re-naming and upgrading of town to city (zheng gai shi 镇改市), county to municipality (xiang gai shi 县改市) and prefecture to municipality (di gai shi 地改市) (Ma 2005; Lin and Ho 2005; Bulag 2002). Ulfstjerne and de Muynck (2012, 2) observe that: “The labeling of places as ‘cities’ has been part of China’s means toward quickening urbanisation and modernization processes throughout China.” Administrative urbanisation inflates the statistical percentage of urban space, without necessarily changing the reality of the places involved.

Another route to urbanisation is to construct an urban façade, which resembles a city externally, but lacks basic infrastructural and economic requirements for city life, or, in some cases, even people, behind its showy exterior. In China, urbanisation is a scene of desire for modernity and can often take the form of aesthetic spectacle (Ren 2012, 20-22; Harvey 2013, 60). According to Bulag (2002, 198), the “magic of the term city” functions as “a short-cut to modernity” especially in underdeveloped and minority regions where it is “hailed to exorcise the haunted failure of modernization.” Yeh’s (2013) work on the politics of territorialisation in Tibet also draws attention to the representation of urban landscapes “as gifts of development from the state.” The city is a conjured object as much as a constructed one. Just as, “in the context of contemporary art, to make art is to show art” (Groys 2009, 1), in China’s urbanisation process, to make a city is to show a city. Thus, as Harvey (2013, 60) comments, “whole new cities, with hardly any residents or real activities as yet, can now be found in the Chinese interior.”

Examples of urban façades are common. In the Northeastern Province of Liaoning, a marshland was drained to construct Tieling New City. Lacking adequate employment opportunities, “Tieling New City is virtually a ghost town… The businesses that were supposed to create local employment haven’t materialized. Without jobs there is little incentive to move there.” Ironically, in 2009, Tieling New City won a special mention from the United Nations (UN) Human Settlements Program for “providing a well-developed and modern living space” (The Wall Street Journal, August 8, 2013). Still, as both the UN and Tieling City Government apparently forgot, “urbanisation is not a matter of statistics. Children and old people left behind in small towns while breadwinners work in big cities are not genuine city dwellers. Neither are people who are formally urban residents but have no means of making a living” (China.org, August 28, 2010).

Another aesthetic variation of phantom urbanisation is the building of replicas of famous cities. The city Tianducheng, built in Zhejiang Province in 2007, was meant to be a miniature Paris with 10,000 residents. It is now, however, considered a “ghost city” (Yahoo News, August 5, 2013). Tianjin Municipality is in the process of building a replica of Manhattan called Yujiapu (National Public Radio, November 13, 2013). In addition to replica cities, China has engaged in the construction of eco-cities (Caprotti 2014, 7–9), such as the joint venture between the governments of China and Singapore to construct an eco-city situated in Tianjin’s Binhai New Area. By 2013, the eco-city was reported to be another ghostly hollow urban landscape (Financial Review, July 20, 2013).

Despite these “unheeded” lessons that form does not guarantee substance, China’s obsession with the urban form persists. China Pacific Construction Group, working in tandem with the Lanzhou government, announced plans to flatten 700 mountains (over
500 square miles of land) to make way for the “The Lanzhou New Area,” a massive urban and industrial development. Scholars and officials have raised concerns over the “financial risk of building a new city in the middle of a desert” (The Guardian, December 6, 2012) and its potential to become China’s next internationally infamous ghost city.

**The phantom urbanisation machine**

Traditionally, scholars have interpreted, “massive land conversion as a consequence of urbanisation driven by migration” (Lin and Yi 2011, 52). The conventional view of migration as the causal variable of urbanisation has been replaced in recent years by the argument that “the logic and dynamics of capital accumulation” (Lin and Yi 2011, 50) drive the spatial reconfigurations of the urbanisation process globally, as well as in China. Recent scholarship has provided new conceptual tools, explanatory mechanisms and detailed accounts of how urban space expands in symbiosis with the revenues of local governments, real estate developers and private speculators.

According to Hsing (2010, 7), “Local accumulation is dependent on sales and development, while the local state apparatus grows along with urban expansion.” That is, local governments are dependent on land revenue for their fiscal solvency and augmentation of their power-base. Rithmire (2013) argues further that the sequencing of macro-economic reforms, preferential national policies and access to foreign capital influences the different land development strategies adopted by local states. Lin (2009) describes a process of “accumulation through dispossession” whereby homes in high-value locations are demolished with low compensation provided to their residents and replaced by lucrative development projects. These attempts to transform the economic and aesthetic composition of the city are occasionally challenged by “nail houses” (Shin 2013), local residents who refuse to abandon their property. The logic and pattern of capital flows has indeed replaced the logic of rural-to-urban migration as the causal variable of China’s rapid spatial reorganisation.

Even wealthy local municipal governments that do not depend on revenue from urban construction still have vested political interests in expanding the urban landscape –as a visual display of political power and spectacular aesthetic evidence of modernising development. In areas like Inner Mongolia’s Ordos Prefecture-Level Municipality (discussed below), the local state’s windfall revenues from coal and natural gas were channelled into the construction of a new “insta-city” (Pond 2010/2011), to the detriment of local state fiscal health. Ghost cities are only the most visible “proof that place can be built for profit, not people” (Ulfstjerne and de Muynck 2012, 6). In fact, they are sometimes built just to keep up appearances (even at a fiscal loss).

**What is being urbanised?**

There is a consensus in China’s scholarly community that land is being urbanised [土地城镇化] at a much faster rate than people. According to an article in the internal (内部, circulated only to government officials or Party members of sufficient rank) publication *Chinese Regional Economy Reference* (2011): “…the urbanisation of land and the
urbanisation of population are uncoordinated – the urbanisation of land far exceeds the urbanisation of the population.” During a March 2013 lecture, Deputy Minister Hu Cunzhi of the National Land and Natural Resources Bureau warned that: “over the past 20 years, population urbanisation has clearly lagged behind. From 1990–2000, the speed of land urbanisation was 1.71 times faster than the speed of population urbanisation. From 2000–2010, this trend increased to 1.85 times as fast... This demonstrates land is being wasted and urban expansion is happening too fast” (cited in Caijing, March 31, 2013). This warning was reiterated again in August 2013 by Qian Runling, Deputy Director of the China Center for Urban Development under the National Development and Reform Commission, who claimed that, “China now has an oversupply of cities,” based on the statistic that “land used for urban construction rose by 83.41 percent from 2000 to 2010, while the urban population saw an increase of 45.12 percent in that period” (Xinhua, August 10, 2013). The Director of the National Land and Natural Resources Bureau Law Center put it starkly: “empty cities [空城] and ghost cities [鬼城] are extreme phenomena of land urbanisation without population urbanisation” (Wang 2013). China’s desolate ghost cities and abandoned development projects vividly display Marx’s (2007, 67) reference to the “complete domination of dead matter over man.”

Even Wall Street real estate analysts have borrowed Marx’s metaphors. When housing oversupply accumulates in a development project, developers classify such “undigested” property stock as “dead landbanks” and “zombie landbanks.” According to a confidential report from the China Property division of Citi, 23% of China’s major real estate development firms’ landbanks were “dead” as of July 2012 (Citi 2012, 2–3). This does not include properties purchased as investments but not lived in. It is also excludes properties remaining intentionally unfinished so as to be classified as “assets” instead of “liabilities” on the books of real estate development companies. Finally, it does not account for construction projects abandoned for at least one year and unfinished due to lack of funds. While no systematic data on such “broken tail buildings” [烂尾楼] are available, anecdotal reports suggest that the phenomenon is pervasive. Yet pinning down the precise extent of these problems remains politically sensitive and practically difficult.

Indeed, even defining “empty/idle housing” (let alone the broader phenomenon of ghost cities) is a controversial technical matter. The crux of the controversy is whether to measure empty housing by “reserves” (存量) or with an “incremental” (增量) metric. The “reserves” method defines idle housing as the ratio of the total surface area of idle apartments to the total surface area of China’s entire housing stock. The “incremental” metric defines idle housing as the ratio of the surface area of vacant housing in newly constructed development projects to the total surface area of new housing stock constructed during the same period of time. Both methods, however, are imperfect.

There is also no agreement over which governmental agency should be in charge of compiling and standardising data on China’s idle housing rate. Competing claims have been made on behalf of the Ministry of Construction, National Statistics Bureau, Housing Management Bureau, as well as for the creation of a specialised bureau, whose sole institutional mandate would be to collect data on the total surface area of idle housing. The combination of muddled definitions and an administrative morass make the problem of phantom urbanisation – and its pathological expression in the form of ghost cities – frustratingly difficult to chart or measure, let alone rein in.
Prime Minister Li Keqiang has promoted a new-type of “People-Oriented Urbanisation” as the centrepiece of the administration’s economic platform. This is intended to turn peasants into urban citizens [从农民到市民的转换], guarantee their material welfare [福利的保障], and provide them with stable employment opportunities [稳定职业]. The hoped-for result is a cure for “urban pathologies” and stimulus for domestic consumption (see Sorace 2014). The “good intentions” of the central state, however, are constrained by the reality that urbanisation is the key financial lifeline for local governments. If the Party wants to achieve its goal of a harmonious people-centred urbanisation, China’s national and local financial structure would need to be completely overhauled to replace the current model of capital accumulation and revenue extraction based on land requisition and real estate development, challenging many vested interests in the status quo.

What kind of urban environments are produced?

Many urban development projects lack proper urban infrastructures such as transportation, educational and medical facilities, as well as employment opportunities. According to Zhu (2011), “large-scale construction neglects to improve the incomes and living quality of urban residents.” For local governments, expanding urban space achieves the two key goals of securing fiscal capital and creating an impressive political achievement record [政绩]. As long as something resembling a city is built, it does not matter whether or not it will be vibrant, people-oriented and economically sustainable: “in the context of pursuing GDP as well as political achievements, it is only important to build the frame of the city; it is not important how its insides [内容物] are padded or with what” (Yuan 2008, 7).

Beyond fiscal imperatives, urbanisation produces many deleterious social and economic effects. He and Wu (2009) discuss “neoliberal urbanism,” calling attention to the class dynamics of China’s urbanisation. Even Citibank seems to agree that, “the China property market has a severe problem of supply mismatch. Most of the supply focuses on high/luxury end whilst the supply of low-to-middle housing is not enough” (Citi 2011, 20). For local governments, high-end housing provides the highest returns (in the form of land sales and future tax revenues) on investment. As a Milken Institute report argues, “local authorities are especially reluctant to provide land for affordable housing projects because such development attracts low-income residents from surrounding regions and puts ever more pressure on public utilities and existing infrastructure” (Barth, Lea, and Li 2012, 15). Such concentration in luxury residential sectors is indicative of massive speculation and over-investment (Gaulard 2013, 10).

Concentrated demand in the hands of the wealthy

In the Chinese property market, there are two types of demand: for housing as an investment and for housing to live in. There are also many citizens who desire urban housing to live in but lack sufficient resources to purchase any. Supply tends to cater to demand for housing as an investment, keeping average housing prices high enough that more and more people are simply priced out of the market. Indeed, despite rising incomes, there is an alarming “gap between the rate at which incomes are growing and the increase in property prices” (Gaulard 2013, 5). This challenges the optimistic and
teleological narrative that urbanisation will be successful due to the inexhaustible demand of villagers moving to the city (South China Morning Post, January 19, 2013). Still, many commentators, officials and members of the Chinese public cling to optimistic assumptions about increasing demand as millions of villagers continue to flood into cities.

But, if urban housing is so unaffordable, who is buying it? Compelling evidence suggests that housing has become a main investment vehicle of the affluent class. According to Citi, “property is not only a type of consumption goods to satisfy housing needs, but also takes up a big responsibility to act as investment products. In the past 20 years, the China property market has acted as a huge capital reservoir” (Citi 2011, 31). Due to the extreme volatility of China’s stock markets, legal restrictions on moving money overseas, low returns to bonds and other savings vehicles, and a frothy real estate market, investors often buy at least three different houses – either as short-term investments they hope might rise in value and become wealth-generating or as stores for the long-term preservation of their existing wealth.

Because of this, any significant drop in housing prices threatens to wipe out truly massive amounts of private wealth: “in China real estate assets account for a dominant position due to the lack of investment alternatives. Some estimates put it at around 65% of personal wealth” (Citi 2011, 12) – as opposed to about 30–40% of US household wealth in real estate just prior to the 2008 collapse (Federal Reserve, October 27, 2011). The Citi (2011, 12) report pessimistically suggests: “if property prices collapsed in the coming 1–2 years, it would have a significant impact on personal wealth of the public and result in severe deterioration in personal consumption.”

The local state also has an extraordinarily strong interest in maintaining urbanisation and real estate’s inflationary momentum. After China’s 1994 fiscal reforms, many localities across the country faced dwindling revenues, coupled with rapidly growing budgetary expenditures and obligations. The central government began re-centralising fiscal revenue streams, while simultaneously de-centralising governance responsibilities – creating a crisis for local governments. By 2010, local governments were responsible for 82.2% of fiscal expenditures, while the central state took in just over half of all government revenue (DRCSC 2012, 6). In order to remedy the imbalance between increasing expenditures and shrinking funds, accentuated by restrictions on their collection of extra-budgetary fees and revenues imposed in the mid-2000s, local governments came to rely excessively on land-generated finances as a main revenue stream, especially where local tax bases were less developed.

Urban governance and management have thus been transformed steadily into a form of “urban business management” (城市经营) – in which the state appropriates farm land at relatively low compensation prices, sells that land to developers for a much higher price, and gains access to additional revenue through taxing the process. Indeed, “local government’s financial structure excessively depends on land revenue” (DRCSC 2012, 8) – in 2010, local government’s income from land-transfer fees was 2.911 trillion RMB (1 Yuan in Renminbi, China’s currency, was equal to roughly US$0.16 in 2012) equivalent to 71.7% of their general budget revenue (DRCSC 2012, 6–7).

As local governments, development companies and investors all worked to keep housing prices rising, real estate realised an extremely low rental yield. Its value is dependent almost entirely on its asset price, not on its potential for income-generation.
Many investors thus prefer to allow properties to lie vacant than to lease them out (protecting their more important wealth while forgoing relatively modest income potential). This further restricts the supply of housing that newly urban or working-class residents can afford and makes the development of ghost districts or cities more likely.

But what happens when governments do not have to rely on the urbanisation of land as their main source of revenue? Why do local states channel abundant capital flows (for example, from natural resource extraction, central state disaster relief funding, or some other windfall or exogenous shock) into construction of urban space in excess of any fiscal necessity or market demand? The logic of phantom urbanisation exerts a powerful and pervasive influence on governance worldviews and aspirations across diverse settings in China today. Fiscal windfalls and capital surpluses remove constraints on urbanisation and unleash a torrent of urban construction. Consequently, “ghost cities” are the extreme and pathological expression of uninhibited phantom urbanisation.

Our two case studies, based on field research by Christian Sorace and a review of documentary sources, help illustrate two pathways to “ghostliness.” Kangbashi is a new city that sprang up from the sands of Inner Mongolia’s Gobi Desert, called into being by the Ordos local government in response to the region’s natural resource boom. Beichuan is a county town in Sichuan Province completely destroyed by a catastrophic earthquake in May 2008 before being rebuilt by government fiat in a new location the following year. Kangbashi is an example of rampant speculation gone too far, while in New Beichuan state-directed rebuilding produced a city that its still-rural inhabitants can neither appreciate nor afford.

Metastasised desire: Kangbashi

Entering Kangbashi in July 2011, an advertising billboard in English declared: “Houses Satisfy Desire.” Yet the new administrative capital of Inner Mongolia’s Ordos Prefecture-Level Municipality was filled with rows of empty houses. Having not yet become the sanctuary for the pursuit of “private paradise” in home ownership it evidently was intended to be (Zhang 2010; also see Pow 2009), Ordos exemplified the darker side of phantom urbanisation as a process of financial speculation based on utopian impulses to build the perfect city.

Before 2004, Ordos was the poorest region in Inner Mongolia, and the area of Kangbashi was home to only two villages with a total population of 1,400 people (Sina Finance 2011d). The discovery and production of 167.6 billion tons of coal (about a sixth of the national coal reserve), 65 billion tons of rare earth minerals and 8,000 tons of natural gas (roughly 1.111 billion cubic metres), or one-third of China’s national gas reserve, turned Ordos into one of China’s wealthiest cities virtually overnight. To put Ordos’s newly discovered abundance in perspective, by the end of 2007 Ordos’s per capita gross domestic product surpassed that of Beijing and Shanghai, and by 2010 it exceeded that of Hong Kong. For many of Ordos’s newly rich residents “buying a house is the same as buying a cabbage” (Ma 2010). The average local investor in Ordos owned three to four homes as of 2011, and that number should rise to at least 10 homes per investor by 2021, according to media analyses (Sina Finance 2011a).
By the end of 2004, the Ordos City government wanted to build a new administrative capital in Kangbashi, which was then a mostly desolate wasteland. The official rationale for the project was that the previous capital, Dongsheng, lacked an adequate water supply (Sina Finance 2011a). But, according to the speculation of many Dongsheng residents, the underlying reason was to find a way to invest the money flowing in from the extraction of coal, natural gas and rare earth minerals. While an aspiration of many Chinese local governments is to build a modern city that will become an iconic symbol of their political achievement record, Ordos actually had enough capital to do so, investing more than five billion RMB in the construction of Kangbashi – 30 minutes by car southwest of Dongsheng. The true intention, however, was not to build Kangbashi as a separate city, but to turn the entire Ordos region into a gargantuan conurbation and regional transportation and commercial hub (Sina Finance 2011b). At the time of writing, Kangbashi continues to expand northward to form a nearly contiguous urban corridor with Dongsheng.

According to Kangbashi Quarterly Published Statistics in August 2009, the new city had 28,000 residents after five years of intensive development (cited in Sina Finance 2011d). This situation seems scarcely to have changed since then, with the population reaching only 28,600 in 2011 (Sina Finance 2011d). Even though the Ordos City government’s administrative offices have all been relocated to Kangbashi, the majority of government officials commute to work from Dongsheng. Those who remain in Kangbashi on weekends and in the evening are mainly migrant construction workers on temporary job assignments and young people seeking employment opportunities in the service sector.

A majority of the more than 30 Kangbashi residents interviewed in July 2011 had migrated to Kangbashi from Baotou, Hohot, and elsewhere in Inner Mongolia, with the hope of finding higher wage employment in the service sector. But few such jobs are to be found in Kangbashi’s largely vacant downtown, where commercial rents remain prohibitively high. According to a restaurant manager, “everyone knows that anyone from outside Kangbashi who wants to set up a business in downtown will have almost a 100% failure rate” (Interview 2012). Instead, most restaurants, convenience stores, and other specialty stores – including high-end wine dealers and florists – are clustered around the perimeters of private residential complexes. Gated communities are their own enclaves, separated from the rest of the city, further vitiating the development of a downtown.

Following a pattern seen in many cities, migrant construction labourers “invisibly” reside in cramped apartment buildings and informal housing on the outskirts of the city (Caprotti 2014, 10–12). In the heart of the downtown is Genghis Khan Square, which is almost always empty other than for the few people tending the gardens and grass. The nearby Ordos Library is shaped like three large books precariously balancing against each other, but does not contain any actual books. Similarly, the Ordos Theater, lit up in blue and yellow neon at night, has never hosted an event, and the Ordos Museum, which sports daring post-modern architecture and resembles an undulating sea slug, has never hosted an exhibit (Figure 1). Over the course of a full month of daily observation in 2011, migrant workers could be seen frequently having picnics under one of the museum’s architectural folds. Otherwise, all four structures remained almost completely unused and conspicuously empty (The New York Times, March 6, 2015).
Kangbashi was built to be Inner Mongolia’s equivalent of Pudong or Shenzhen – banking on the idea that a modern city flush with capital, iconic architecture and a pollution-free environment would attract residents in droves. In place of residents, however, Ordos attracted only investors, providing fertile ground for a local shadow-banking system, plagued by obscenely high interest rates, which helped finance unsustainable real estate development. After an initial massive outlay of capital by the Ordos government to build Kangbashi, most real estate development projects seem to have been financed at their start by profits from the coal industry, and then high-interest private loans as they continued to later stages. By 2011, there were 422 registered real estate development companies operating in Ordos (Sina Finance 2011d). There were also countless small loan companies to finance the real estate operations. A popular saying in Ordos nicely summarises the symbiosis between the real estate and private loan industries: “every family is in real estate, every person is a pawnbroker” (Luo 2011).

If people in Ordos were not involved in the initial development, they were involved on the purchasing end, treating excess homes as instruments of financial speculation. According to the chairman of an Inner Mongolia commerce and investment conglomerate: “beginning in 2006, the real estate market started to explode. It seemed as if everyone had gone crazy scrambling to buy houses. Early in the morning at 1 or 2 am people would queue to take a number, and many people would in one breath buy many houses” (Luo 2011). The initial start-up capital and liquidity generated by the coal
industry was channelled into real estate. This, in turn, stimulated the growth of small-scale, private, high-interest loan companies to facilitate both the construction and, especially, the purchase of homes.

Financial speculation on the Ordos housing market is reflected in the steady increase in the price of residential space. The average price was 1,200 RMB per square-metre in 2006, 5,000 in 2007, and 7,000–8,000 in 2009, with some high-end luxury villas reaching 20,000–30,000 RMB per square-metre. According to one media source, “following the steady climb in housing prices, more investors became speculators, financing new housing projects with only one aim, waiting until the price is high enough to get rid of them” (Sina Finance 2011d). As a result, building homes has become simply the most expedient method for the circulation of capital.

Severe problems arise when such development is unsustainable. In 2011, when the central government issued new policies, credit controls and restrictions on multiple home purchases – avowedly to cool down the real estate market nationwide – the volume of real estate sales declined, even in Ordos. Slumping sales prompted many real estate development companies to slash prices to “de-stock” their growing excess inventory of housing. This, in turn, led many investors to wait to see how low prices would dip before purchasing new homes.

On November 25, 2011, Sina.com news (Sina Finance 2011d) proclaimed that the Ordos real estate market had collapsed, with prices tumbling more than seven-fold, evaporating much of the wealth held in assets already purchased. In a matter of hours, the Ordos Regulatory Commission posted a rebuttal at Sina.com, arguing that talk of a real estate market collapse was “sheer rubbish” (Sina Finance 2011b). The local government professed confidence in the future health of Ordos’s real estate market and explained short-term fluctuations as normal, part of a nation-wide response to macro-economic adjustments. This was greeted with incredulity, however, even in the comments section below the online news article, typified by the following response: “In this society, one doesn’t know whom to believe” (cited at Sina Finance 2011b).

Despite the local government’s rosy prognostications, migrant construction workers in Ordos had been protesting over wage arrears since at least October 2011, suggesting that all was not well in the sector. According to a Caixin report, over 100 construction workers, mainly migrants from Guizhou and Sichuan, had begun constructing a set of residential buildings in March 2011 for the Hong Taiyuan real estate development company. Due to credit shortfalls, the workers had not been paid the wages owed them by September 2011. When the corporate liaison responsible for dealing with the workers stopped answering their calls and disappeared, they forced their way into the company office and smashed the furniture, demanding to be paid. In the words of one worker: “This time was only a light response, if they do not resolve our [wage] problem soon, we will smash their entire office into pieces” (Sina Finance 2011c). According to local police, there were seven or eight disturbance reports at this company alone over monetary disputes in the ensuing months.

This was only the tip of the iceberg, however. Due to the particular structure of Ordos’s informal credit mechanisms, many debtors were also at the same time creditors to others. The combination of dwindling sales and tighter credit thus triggered a complex chain reaction, in which construction workers demanded wages from their bosses, while real estate developers demanded repayment of high-interest loans.
extended to other real estate developers. Once the cycle of credit and debt was halted, no one could be paid.

Just a few weeks before the construction workers’ protests, Wang Fujin, a major shareholder of the Zhong Fu Real Estate Development Corporation, committed suicide on September 24, 2011 (Xinhua 2011). Zhong Fu had faced a liquidity crisis because mortgage loans for houses already sold were in arrears, forcing the company to borrow money from private creditors at a 3% monthly interest rate in order to complete their project. According to a Xinhua report, right before Mr Wang hanged himself, the company’s creditors (most of whom were Wang’s friends or associates from his days as a provincial-level judge) were demanding the repayment of loans totalling 263 million RMB, possibly to pay off their own creditors.

Real estate development corporations were not the only ones feeling the burden of Ordos’s collapsing economy. The funds obtained through land sales were continually reinvested in infrastructure construction, such as the plan to build green spaces every 300 metres and a park every 500 metres throughout the urban space, such that one would never be more than half a kilometre from enjoying nature. Booming revenues from coal sales could prop up this urban investment strategy temporarily, but when global coal prices started to plummet in 2011 (Bloomberg, January 31, 2015) this financial model began to implode, exacerbated by the fact that apartment sales had stalled (Bloomberg, July 16, 2013). As a result, “Ordos local government entities have amassed 240 billion yuan... The government’s debts include delayed payments to builders as well as loans from companies” (Bloomberg, July 8, 2013), forcing them to borrow more money from companies in order to pay the salaries of their staff and keep the government running.

Apparently, other non-residential uses were being found for Kangbashi. On August 18, 2012 Kangbashi hosted the 2012 Miss World Beauty Pageant (Business Insider, August 14, 2012). A few months earlier, a group of professional skateboarders used Kangbashi’s empty streets and spectacular public architecture as the stunning visual backdrop for a skateboarding documentary (Lanceplaine 2012). Perhaps Kangbashi’s “fame” of being China’s largest ghost city will steadily populate its streets with curious tourists and other high-profile media and attention-generating events. According to recent reports, the local government has been providing attractive compensation packages to relocate residents of surrounding villages into Kangbashi. Apparently, this state-orchestrated urbanisation of people has not been accompanied by the employment opportunities necessary to support city life (see Sorace 2014). Moreover, this strategy of imposed urbanisation seems unlikely to alter Kangbashi’s status as a symbol of phantom urbanisation and, specifically, a standout example of a ghost city built on fiscal excess. With windfall revenues, Ordos Prefectural Government has engaged in a speculative bonanza with little thought to the now clearly disastrous consequences.

**Double empty shell: New Beichuan**

The Wenchuan earthquake levelled Beichuan Qiang Autonomous County Town (北川羌族自治县) on May 12, 2008. According to the Mianyang Municipal Government: 15,645 people died, 1,023 were declared missing, and 26,916 people sustained different levels of injury across Beichuan county (Mianyang Government 2010). As a result of
both the human and physical devastation, the government decided to relocate the entire county town to a previously undeveloped area of An county, roughly 40 minutes by car from its original location, preserving the old ruined town as a national earthquake memorial.

The decision to relocate Beichuan to An county required a complicated set of redrawings and mergers of administrative areas. On February 2, 2009 the Ministry of Civil Affairs approved a plan to incorporate “New Beichuan” as an administrative unit straddling An county’s Anchang, Yongan and Huantu townships (Fenghuang, May 5, 2009). Under the provincial mutual assistance programme (对口支援), Shandong Province was to oversee and largely finance New Beichuan’s construction. With the assistance of crews from Shandong, construction work was completed by September 25, 2010, and residents were able to move in that December. New houses were distributed by lottery. The estimated total population of New Beichuan in 2011 was 7,397 people: 3,504 from the original county town, and 3,893 from the merged areas of the several An county townships (Xie 2011).

New Beichuan features traditionalised Qiang ethnic architecture – including stone watchtowers and decorative rams’ heads – and is visually striking. It is also China’s first experimental “digitised city” with underground fibre optic cables combining cable television, telephone and internet networks. Unlike most Chinese cities and towns, its residential and commercial districts are separated geographically. The majority of New Beichuan’s tourist and business activities are clustered on the pedestrian Banaqi Street (巴拿恰步行街), which boasts of being the largest “cultural tourism business centre” in northwestern Sichuan. In early January 2011, the government allowed outside investors to rent space on Banaqi Street. By April, 103 businesses from various parts of China had opened. With much less success, four residential districts attempted to attract investors and renters to operate storefronts attached to their largely vacant apartment complexes (Xie 2011). The neat spatial division between homes and business, so attractive to planners, is in fact a major reason why New Beichuan’s residential areas are relatively uninhabited. The head of a research institute in Sichuan who played a supervisory role in the reconstruction retrospectively assessed: “The design plan for Beichuan had serious problems. Locating the residential areas on the periphery makes the centre of the city lack personality and people” (Interview 2013).

The influx of outside capital was also a mixed blessing. According to a local resident, “many people from outside of Beichuan came to do business. As a result, rents spun out of control” (Xie 2011). Property in the business district rents for more than 100 RMB per square metre on average. Thus, for a small store of 20 square metres, monthly rent can exceed 2,000 RMB (far higher than the net profits of most county town shop-keepers). According to a government official, “more than 100 yuan per square meter is sheer rashness. The majority of these stores have not even opened for business. For local residents, anything over 60 yuan per square metre is difficult to manage” (Xie 2011).

Prices like these may sound like bargains compared to Kangbashi. However, post-earthquake monthly incomes for New Beichuan residents are much lower than for their Kangbashi counterparts: between 650 and 750 yuan per month on average, supplemented by a temporary social insurance stipend of 400 yuan for relocated earthquake survivors.
Despite Shandong’s help in building a new industrial cluster close to Beichuan, wages have also been relatively low and conditions less than ideal. A new electronics company, for example, withheld wages for at least four months in 2011 (Xie 2011). An internal Party report from 2010 already raised alarms about Beichuan’s economic sustainability, pointing to “unclear” preferential economic policies and the fact that enterprises from Shandong were “reluctant” to invest as well as “slow” to transfer production facilities to an area that lacks market “advantages.” Such lack of investor confidence reveals the limits of state-led command capitalism: the state can arrange production facilities and guide investment, but it cannot guarantee profitability. Conversely, local Beichuan enterprises were also slow to revitalise, if they did at all. Due to damage caused by the earthquake, more than half of local Beichuan enterprises had to discontinue production in their original location, while many lacked the capital to move and the finance to replace their means of production (Sichuan Party School Report 2010).

The Party’s economic strategy of combining a “blood transfusion” (输血), supplied from Shandong enterprises, and “blood generation” (造血), supplied from local production capacities, was unable to nurture a healthy circulatory system that pumped the blood (capital) where it needed to go (ordinary people). Consequently, the aesthetic vision of bringing the urban to the countryside that guided the reconstruction was not supported by material economic realities. What our findings here, along with our broader analysis outlined earlier, suggest is that constructing and maintaining the appearance of revitalised production is politically more important than actual production (Tsing 2000).

For example, in a small village administratively belonging Beichuan county, a non-governmental organisation (NGO) worked closely with the village Party branch to establish a factory for the small-scale production of organic T-shirts. According to the NGO’s leader, “the goal was to provide middle-age and unskilled Beichuan women with jobs” (Interview, April 2013, Chengdu). The local village Party-Secretary was initially thrilled with the project and invited high-level officials to “inspect” the factory. After the Party-Secretary secured political commendation from his superiors, he told the NGO that their services were no longer needed. The NGO leader disgustedly confessed: “their training is nowhere near complete and many logistical problems have not been resolved. In my estimation, the factory will close down in a matter of months. But for the Party Secretary, it does not matter, he already got what he needed from it” (Interview 2013). What the Party-Secretary needed was the appearance of production, progress, and employment irrespective of long-term financial prospects or wage-generating potential.

To make matters worse for local residents, the promised inflow of outside investment and real estate speculation based in part on the imagined gains from future tourism has contributed to skyrocketing local commodity prices and living expenses. The expectations for the post-disaster economic revitalisation attracted outside investment in a fictitious future Beichuan that did not exist. Despite the fact that these investments generated little to no rate of return, they still raised rents and drove up the cost of living. As a result, incomes for most local residents still lag well behind what it takes to make a living in New Beichuan.
Under financial stress, many of Beichuan’s residents have become migrant labourers in China’s larger cities. According to one reporter:

outside of the few streets in the business district, the centralised residential resettlement area is extremely quiet. Besides hearing the occasional sounds of one or two people renovating their houses, it is very rare to see anyone walk down the bright and wide streets of New Beichuan. Storefronts connected to residential buildings have not opened. It is clear that the “peasants” who were urbanized are having a hard time adapting. New Beichuan residents are now confronting the difficult problems of dramatic changes to their modes of production and a rapid increase in the cost of living (Xie 2011).

Similarly, a different reporter described New Beichuan as a city where “the roads are wider, buildings are taller, but the people are fewer and fewer” (Xie 2011).

China’s countryside is dotted with “empty villages” that have been left behind by villagers in search of economic opportunities elsewhere. New Beichuan seems to be no exception, despite its grand urban façade. A local NGO worker observed that, “Beichuan might look like a city, but you know, it is still a village in reality” (Interview 2012). New Beichuan is thus a “double empty shell,” sporting the hollow trappings of forced urbanity hung upon the frame of a desolated village. It is an unhappy admixture of the worst elements of rapid urbanisation and rural de-population.

Obsessed with bouncing back quickly and showcasing the vitality of China’s new urbanism, the central government, Shandong Provincial Assistance Team and various levels of the state in Sichuan foisted an instant new city upon Beichuan that could not accommodate the very people for whom it was intended to provide. More than anything, New Beichuan is a ghost city called into being by symbolic and political exigencies, producing deleterious effects on the livelihoods and lifestyles of its vulnerable residents.

Even more disturbing is the pervasiveness of empty housing across Sichuan in the newly reconstructed areas damaged by the earthquake. In Dujiangyan [都江堰], the local municipal government used the occasion of the earthquake to accelerate a process of urban–rural integration [城乡一体化] that was slowly and unevenly being implemented prior to earthquake. “After completing re-settlement construction, new concentrated settlements incorporated over 50% of Dujiangyan’s total rural population” (Dujiangyan Municipal Party School 2009, 29–30) creating a rapid expansion of urban space. The problem is that many of these “concentrated settlements” [集中安置点] and experimental communities for turning peasants into urban citizens [农转非社区] are ridden with a glut of empty housing and empty storefronts [铺面]. As the head of a government-organised non-governmental organisation, an organisational form likely unique to China but quite commonplace there, in charge of providing social services for these communities tells, “so many of these communities were built with an oversupply. For instance, X community has 30,000 housing units and only 16,000 of them are filled” (Interview 2013). Observations in the city found that not only was this figure likely correct, but most of the storefronts lining the street were either empty or abandoned. One local resident explained: “Most people here cannot afford the rent for these storefronts. If someone opens a shop, they have to raise prices to be able to make
ends meet. But nobody wants to pay for such raised prices and the store goes under. It is a vicious cycle” (Interview 2013).

Still more troubling, across the street from the government-built settlement, a Shanghai Real Estate Development company is in the midst of building a luxury commodity housing development slated for completion in 2014. When asked about sales thus far, the saleswoman in the office frowned pessimistically and muttered “so-so” (Interview 2013).

This small section of Dujiangyan, like the New Beichuan County Town, is a microcosm for the contradictions of China’s wasteful urban development: a stalled experiment in turning “peasants” into urban consumers. Most “new” urban residents have been unable to find work and mainly sit outside talking, playing card games or mahjong, bored expressions on their faces. Empty apartments, the result of government-led oversupply, litter the district, and an urban development project founders with bleak prospects for profitability – all within a few blocks of each other in a space that was farmland before the earthquake.

**Conclusion**

It has become fashionable to speak of China’s “ghost cities” and “over-development,” but what does this really mean? Through our comparison of Kangbashi and New Beichuan, we have laid out two pathways to extreme forms of phantom urbanisation that can be widely observed. Future research and empirical case studies can begin from a shared understanding of at least some of the causes and dynamics of the problem.

More importantly, we have established a baseline understanding of the social, political and theoretical implications of continuing unchecked phantom urbanisation. In a set of critical reflections on urban studies and discourse, Brenner (2013, 89–90) diagnoses a “proliferation of deep confusion regarding the specificity of the urban itself.” Analyses, however, typically take for granted the concept of urbanisation and move directly to discussions of scale, speed, population density, environmental impact, and so on. Instead, we need to be wary of the performance aspect of urbanisation as a means of legitimating reckless urban expansion, capital accumulation, and so-called “face projects” (面子工程).

The performance aspect of urbanisation, however, may be an ineradicable component of urban growth. According to Tsing (2000, 118), the global economy of financial speculation and investment requires an “economy of appearances” in which profit is first imagined before it is produced. In order to attract investment capital, companies must “dramatise their dreams” of future economic success. Economic desirability depends on aesthetic performance. So long as the conjuring works, the dramatic staging is hardly perceptible. When economic success does not materialise, however, the aesthetic devices of its production are laid bare.

In this article, we have argued that the extreme example of “ghost cities” exposes deeper patterns of urbanisation propelled by political imperatives and aesthetic norms, which follow logics different from those of population pressures or market rationalities. Political success is dramatised through the expansion of urban space as a conduit to modernity, which promises economic abundance. The phantom
urbanisation process is precariously held together by the assumption that the construction of urban landscapes will eventually result in urbanisation by attracting financial investment and residents. Ghost cities are the material artifacts of an unsuccessful conjuring trick.

The proliferation of images, dreams, fantasies and desires of urban modernity have colonised the political imaginary, economic circuitry and much physical space in China. Eschewing the discourse of urbanisation, we must create a new vocabulary and framework to move beyond these dominant forms and describe the current reality accurately. In doing so, we hope to give voice to the disquiet that haunts our conceptual categories and disrupts their ability to confer a reality on what for many citizens is a deferred dream.

Notes

1. The discussion of these “pathological” tendencies in English language scholarship often focuses on individual “symptoms” in case studies and has not cohered into a general theme the way it has in Chinese language scholarship.

2. This interview took place in Ya’an, Sichuan November 2012. The restaurant manager is originally from Sichuan, moved to Hohot for work, and from there, through “guanxi networks” went to Kangbashi for “temporary work” [打工] for a year.

References


