

On the allocation of China's Rural Land Transference Income——Based on Marxism Land Rent Theory

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Abstract: In the context of accelerating urbanization, a large number of rural land has been transferred to use as urban land, which generates considerable land transference income. The traditional Chinese model of land acquisition, however, has been widely criticized for its poor performance of protecting farmers' interests. “marketalization of profitable collective constructive land” is an innovative land system launched by the government to protect the farmers in land interests. However, should the government get involved in the allocation of land transference income from this model? The focuses of debates include what the basis for government getting involved in the allocation and how to get involved in the allocation. Based on Marxism land rent theory, this paper analyzes the above debates, and believes that the government should get involved in the allocation, that is, the government deserves the investment rents and management rents for land appreciation, and the farmers obtain agricultural rents and location rents. This paper proposes to construct a land-based transfer income distribution mechanism of “land market price + land value-added tax and fees”.

1.Introduction

In the context of accelerating urbanization, a large number of rural land has been transferred to use as urban land, which generates considerable land transference income. The traditional Chinese model of land acquisition, however, has been widely criticized for its poor performance of protecting farmers' interests. At present, the most-supported reform plan for this problem is to implement the measure of “marketalization of profitable collective constructive land”, which has changed the way to conduct the initial allocation of land transference income, and enhanced the farmers' right to speak in the value-added income allocation, and made them shifted from passive indirect subject to active direct allocation one. In the process, should the government get involved in the allocation of income generated from the shift into market? What is the basis for sharing the allocation and how to get involved in the allocation? Due to differences in geographical location, economic development level, and national planning and other elements, there are significant differences among the farmers in different regions, including the amount of resources and the degree of value realization of collectively-owned commercial construction land that can be accepted by the market and benefits the farmers. And how to balance the unequal interests by these differences, and can this problem be solved?

There is no broad consensus, in academic world, on how to solve these problems, and there are many different and even completely opposite views. For example, some scholars believe that the income from the transference of collectively owned constructive land belongs to rural collective economic organizations, and the government has no right to get involved in the allocation, because the laws have clearly stipulates that the ownership of collective land belongs to the rural collective economic organizations. Other scholars believe that the land ownership is actually restricted by planning, which means that the land development rights actually belong to the government, and there is no absolute land ownership.

2. Theoretical Analysis

2.1. The Marxism Land Rent Theory

Marxism land rent theory is formed on the basis of criticizing, inheriting and developing the theory of land surplus by Adam Smith and William Petty. The main point of the theory of land surplus is that land rent is the surplus after total income minus other production costs. The surplus is up to the demand for agricultural products and the cost of supply which is up to the location and soil fertility. The surplus belongs to the landlord class. The surplus theory consists of two principles. First, Differential Land Rent Principle. Due to the fact that the soil can be fertile or infertile, and the distance to the market, the same capital, invested in the different lands with different production conditions, generates different labor productivity, so the agricultural capitalists gain different benefits, that is, the productivity of capital is different. Differential rent refers to a kind of rent determined by the different conditions of land. Second, marginal principle. It believes that the superior and the medium land are limited in amount, and they can not meet the needs of the society for the agricultural products, so the inferior land must also be used to make up the insufficient agricultural production. If inferior land is not used for agricultural production, the agricultural products will be in short supply, with the market prices rising until the social production price of agricultural products is as high as the individual production prices of inferior land, when the capitalists are willing to invest because they can gain the average profit by investing inferior land. In such a context, the high-quality land generates surplus value before land rent is available, which benefits the landowners.

On such a basis of different conditions, Marx divides the differential rent into two types: Difference Rent I and Difference Rent II. Difference Rent I refers to the excess profit by the parallel capital invested in the lands which are different in fertility and location and productivity; Difference Rent II refers to the excess profit generated by the additional investment continuously into the same land. The two types of differential rents, Difference Rent I and Difference Rent II, represent the two different stages of capitalist agricultural development from extensive to intensive. Absolute rent refers to the land rent obtained by land owners by monopolizing the land private property, and its amount is equal to the margin between the social production price of agricultural product and the social value. Since agriculture industry, a social production sector, is with relatively low capital in its organic composition, the surplus value created by agricultural workers is higher than the average profit, and the social value of agricultural products is greater than the social production price. The surplus between the two is absolute rent.

2.2. The Application of Land Rent Theory in the Analysis of Urban Land Value

Difference Rent I of agricultural land is determined by fertility differences and location differences. The Difference Rent I of urban land is determined by location difference. Of course, the location difference affects the land for different uses in different ways. When it comes to industrial land, the farther the factory is from the market, the higher the transportation cost is. So the companies tend to choose the location that are close to the market for less transportation costs. Since it is assumed that there is complete competition among capitals, in the long run, the saved transportation costs do not belong to companies but are converted into the income of landowners. In the development of modern cities, location factors will also be reflected in other levels. For example, in an industrial park, the production costs can be reduced by forming factory cluster which generates external economy, and the saved cost in production can be shifted into land rent of the park. Similar to the distance on industrial land, commercial land is more sensitive to location. The location affects residential housing mainly by affecting transportation costs and time costs. In addition, in real life, there is no land market of laissez-faire, and the use of land is regulated by zoning and planning, which has become a common practice in modern land use. However, Marxism land rent theory has not taken the rent and its allocation resulting from planning control into consideration. The zoning is mainly about the division of functional areas and the protection of agricultural land. Also, the plan involves the control of total used land, phased development, etc.

2.3. Classification of Land Rent

According to the above sources of land transference income, this paper divides land rent into four types. First, agricultural rent. It consists of the rental value of agriculture and the selective value of agricultural land. The value of agricultural rents and the economic benefits of the land used for agricultural purposes are determined by the conditions such as soil fertility; second, location rent. With the acceleration of urbanization, the potential value of land in the suburbs is increased obviously, which generates Differential Rent I. The location rents are different due to the location of construction land and city center. The closer to the city center, the higher the rent is. Third, investment rent. When transforming rural land into urban one, it is necessary to make some investments, such as “three links and one leveling” or “seven links and one leveling”. because of the additional investment in land, the supporting infrastructure is built and the value of land has increased, which generates Differential Rent II; Fourth, rent from land-use regulation. Chinese government gets involved in the management of land. Construction land can be used for construction without any construction land indicators, while the use of cultivated land cannot be changed casually. The difference in rents between construction land and cultivated land in rural areas comes from land-use regulation. So the resulting rent is called the rent from land-use regulation.

2.4. Different Allocations of Land Rent

The land transference income from collectively-owned commercial construction land should be allocated fairly. For landowners, it should guarantee their current living standard and long-term livelihoods. So the landowners should be allowed to obtain agricultural rents and location rents by virtue of their ownership, sharing the dividends of urban development; as to the government, it deserves investment rent and rent from land-use regulation. On the one hand, the government must finance urban infrastructure, and the land value must be created before it is allocated. On the other hand, land planning and regulation bring efficiency, at the price of inequality among farmers in different regions. The planning of land use results in accidental losses to the landowners in restricted development areas. Moreover, due to differences in geographical location, degree of economic development, and national planning, there are significant differences in the amount of resources and the degree of value realization of rural collectively-owned commercial construction land entering the market for the farmers in different regions China. So it is necessary for the government to balance the benefits of such differences through transfer payments and other means.

Therefore, the key to solve this problem is to distinguish the following two problems: the “attribution” of land transference income and the “share” of farmland income. They are two obviously-different problems: the “attribution” of land transference income is involved in the realization of property rights of rational operation of the land market, and it has the attribute of the market economy, that is, the rural collective owner obtain agricultural rent and location rent through market means; the “share” of land transference income is involved in the regulations by government's intervention in land acquisition or land use regulation. It has administrative attribute, that is, the investment rent and the controlled rent are obtained through taxes and fees.

3. Conclusions

Based on Marxism land rent theory, this paper, by analyzing the above debates, gets the conclusion that rural land transference income includes four rents: agricultural rent, location rent, investment rent and rent from land-use regulation. Investment rent and rent from land-use regulation for the government, and agricultural rent and location rent for farmers. The allocation of land transference income should be based on the principle that the initial allocation of income is based on property rights and secondary allocation based on tax system, forming an allocation mechanism of “land market price + land value-added tax and fee”. The initial allocation emphasizes efficiency, follows the property rights rules and market rules, and leave land market trading income for the rural collectively-owned commercial construction land. The reallocation emphasizes fairness,

and the government shares value-added benefits through taxation. The initial allocation is realized in the land transaction process, which is the value-added buying and selling price and the value-added rental rent. The value-added quota and the allocation relationship are determined by the market trading process, that is, the market determines the allocation relationship and the allocation result. On the one hand, the policy aims to meet the requirements of the "all-round development" of the new era, and pay more attention to the equal rights of land and property rights in urban and rural areas, compensation for loss of development rights, and protection of equal opportunities for land development under the constraints of cultivated land protection and ecological protection. On the other hand, it is to adapt to the major contradictions coming with the new era by minimizing transaction costs, fully coordinating productivity and production relations, improving the utilization of various types of agricultural land, ecological land and urban and rural construction land, and achieving the best and most reasonable use of land; reallocation or secondary allocation of land transference income by the government is to solve the problem of fairness by the means of tax on the value-added land, further matching land rights, responsibilities and interests.

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