

OSTROM WORKSHOP RESEARCH SERIES

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“Property Rights, Transaction Costs, and
Social Gains: An Analysis of China’s First
Land Development Rights Market”



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12:00–1:00 PM • Ostrom Workshop, 513 N. Park

This paper first highlights the importance of reforming different institutions governing collective-owned and State-owned land in China. The land development rights market in Chongqing is one of the most celebrated reforms in the country. Traditionally, high transaction costs have rendered many rights market inactive. Chongqing’s organizational structure and institutions reduced transaction costs and created an active market in pursuit of three policy goals: farmland conservation, integrated rural-urban development, and social equality. However, according to my systematic analysis of the policy’s design and procedure, achievement of these goals was suboptimal, if not outright failure. While active government intervention is effective in lowering transaction costs, it also gives the government a considerable influence on the policy outcome. When rural households are the residual claimant, the government has incentives to sell land rights from locations closer to the urban center. Government maximizes its gain at the expense of social benefits. Geographically weighted regression shows this was true in some areas, but not in others. This paper concludes with property rights reform suggestions.



[Lu Zhou](#) is a PhD candidate from the Real Estate department and Ronald Coase Center for Property Rights Research in the University of Hong Kong. Her research interests are to understand the interaction among property rights, land regulations, land market, and municipal fiscal finance in China and the U.S. Her studies empirically test how transaction costs influence policy implementation and outcome. She enjoys visualizing and building spatial-temporal models.

Presentations are open to the public (see our website for papers). You are welcome to bring your lunch. For questions, contact Allison Sturgeon (sturgeon@iu.edu; 812/855–3151).