Comparative Analysis of the Effectiveness of Chinese Government Real Estate Control Measures

Junzheng Qiang

School of Public Administration, Shanxi University of Finance and Economics, Taiyuan, 030000, China

Abstract: This paper sorts out and analyzes the macro-control policies of real estate since 2003 in China, and analyzes the defects and shortcomings of these control policies in combination with the actual situation. Finally, it puts forward relevant suggestions and measures.

1. Introduction

In the report of the 19th National Congress of the Communist Party of China, General Secretary Jinping Xi emphasized that it is necessary to insist that the house is used for living, not for the purpose of speculation, and to achieve the goal of letting all people live and live. China's real estate market has been widely criticized, and the pressure of ordinary people to buy a house has become one of the most important economic pressures. In order to cope with the excessively rising housing prices, the central government and local governments in China have adopted administrative interventions, tax adjustments, and monetary policies to regulate the real estate market. Although these regulatory measures have played a positive role in curbing the excessive rise in housing prices in the short term, in the long run, it is necessary to establish a long-term mechanism to promote the healthy development of the real estate market. The article briefly sorts out the evolution of real estate macro-control policies, summarizes the experience and effects of regulation over the years, and is of great significance for improving real estate macro-control policies.

2. China's real estate regulation

2.1 Control objectives

Real estate is closely related to the lives of ordinary people. The fundamental goal of real estate regulation and control is to stabilize the economy and maintain social stability. For example, in 2003-2007, real estate began to show signs of overheating. The real estate regulation and control policy at this stage contained the purpose of curbing overheating of real estate development investment. In 2005, the "National Eight Articles" was also aimed at stimulating the economy and stabilizing the downward trend. As the economic growth rate declined in 2014-2015, the real estate destocking policy was introduced. The second goal of real estate regulation and control is to stabilize housing prices. From 2003 to 2010, stabilizing housing prices and curbing excessive housing price increases are the main tone of China's real estate regulation. Real estate regulation also has the purpose of regulating market order. As one of the pillar industries of the national economy, real estate's rapid price fluctuations will have a bad impact on a country's macroeconomic environment. Therefore, almost every regulation will regulate the market order as one of the important contents.

2.2 Research situation

Foreign research situation. Scholars from abroad have studied the theoretical basis, policy objectives, control methods, and guarantee models of real estate regulation from the perspectives of economics, political science, public policy, and sociology. Among them, scholars who advocate government intervention in the real estate market, such as Ralph, believe that the balanced development of the real estate market is deeply affected by housing policies. For how the

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government should regulate real estate, Kimura Takeshi and KurozumiTakushi proposed that monetary policy can achieve better regulation. Coskun and Yener propose to increase real estate regulators to increase the potential value of the real estate market. Wang and Fan specialize in the development of China's real estate policy and divide its development process into the stage of the planned economy, the stage of reform, the stage of regulation and control.

Domestic research. Domestic scholars' research on real estate macro-control mainly focuses on the following aspects. Focusing on real estate regulation and control policies, the focus is on policy objectives, policy networks, policy assessments, real estate market finance, and real estate market structures. Using the system simulation method, survival analysis method, network search method and other research methods to analyze the effectiveness of real estate control policy effects. Drawing on the experience of international real estate regulation and control, this paper studies the changes of real estate regulation and control policies, mainly focusing on the interpretation of policy texts, reviewing and sorting out the development history and stage characteristics of China's real estate policies. In short, although there are many research results on real estate macro-control policies at home and abroad, there are few studies on the changes of real estate macro-control policies.

3. China's real estate regulation and management process and means

3.1 Regulatory process

The development of China's real estate industry is relatively short. It is difficult to achieve optimal allocation of resources solely by relying on market forces, and it is necessary to use macro-control measures to cooperate. However, due to the fact that the real estate industry is implicated in many industries and management departments, and the system is huge, and the use of government regulation and control methods is not sufficiently sophisticated, the actual control effect is not satisfactory. The high-frequency words in the comprehensive real estate industry, the real estate macro-control policy is divided into three stages. The first stage is the initial stage of housing system reform (1998-2002), the second stage is the real estate marketization development stage (2003-2009), and the third stage is the real estate marketization adjustment stage (2010-2017).
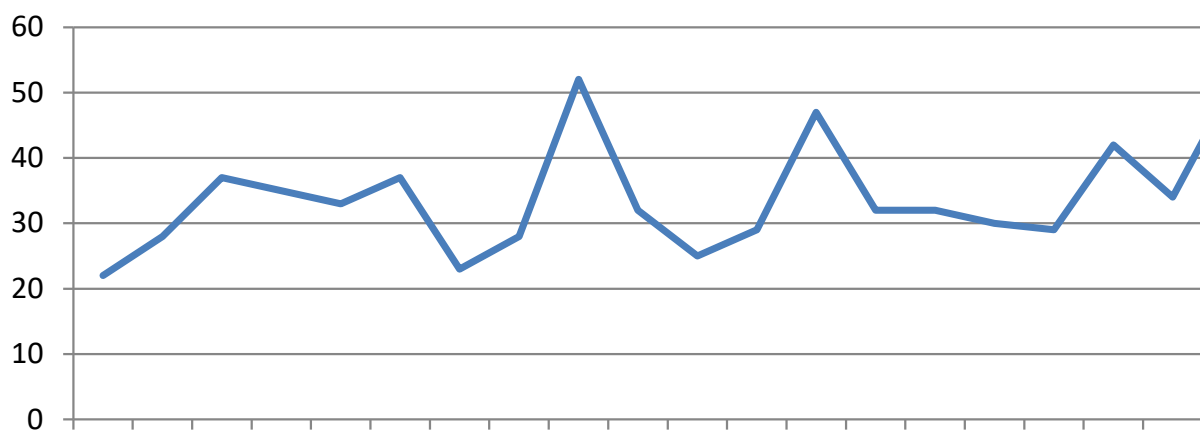

Figure 1 Distribution of real estate regulation and control policies from 1998 to 2017

From the perspective of demand, on the one hand, rigid demanders are basically not affected by the introduction of purchase policies. Other investment and speculative demand, low buy high and sell, according to fluctuations in house prices, to promote housing prices.

As shown in the figure, the demand curve D_2 is shifted to the left to become D_1. The purchase restriction policy has thus suppressed demand. From this simple supply demand model, it can be seen that after the introduction of the purchase restriction policy, the house price has a certain decline, that is, from P1 to P_2, and the transaction volume will also increase slightly, that is, from Q_1 to Q_2.
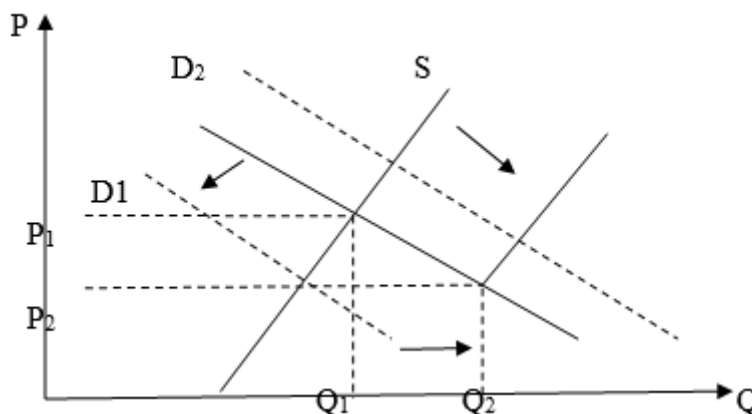
Figure 2 Impact of real estate policies on prices and demand

In 2003, the introduction of the "National Eight Articles" marked the beginning of China's real estate purchase restriction policy. Since 2010, China's purchase restriction policy is a means of directly intervening in the purchase behavior of consumers that is, by setting a series of conditions, raising the threshold for purchase and limiting the number of purchases. In 2010, Beijing issued the "National Ten Articles" Regulations. In May 2011, 46 large and medium-sized cities across the country joined the ranks of purchase restrictions. Since the beginning of 2016, the Central Economic Work Conference has put forward opinions such as "resolving real estate inventory" and "cancelling outdated restrictive measures", and housing prices in hot cities have increased significantly. In 2016, some cities have re-introduced or overweighted the purchase restriction policy. From March to April 2017, more than 20 cities have successively issued a purchase restriction order, which has opened a centralized purchase restriction. Up to now, more than 60 cities across the country have introduced and implemented restrictions on purchases.

Table 1 Four stages of China's monetary policy and real estate regulation

Stage	Time	Background	Regulatory tone
The first stage	1998.7-2003.6	Asia financial crisis	Promote the development of the real estate industry
The second stage	2003.7-2008.9	Overheated property	Stable house price
The third phase	2008.10-2010	Global economic crisis	Stable house price
The fourth stage	2010-	Real estate continually	Prevent excessive price fluctuations

3.2 Control measures

Real estate control policies mainly include limited purchases, monetary policies, fiscal policies, and land policies. The first is monetary policy. In order to regulate housing prices, from the beginning of 2016 to the first half of 2017, the central bank raised the deposit reserve ratio several times. In the first half of 2017, the benchmark interest rate for deposits and loans was adjusted six times. From an objective point of view, the rational use of monetary policy can provide certain convenience conditions for the financing cost of developers or the loan expenses of buyers themselves.

The second is the land policy. Foreign real estate macro-control programs will focus on monetary policy. Most of China's real estate control effects rely on regulating the total supply of land, the type of supply structure, the specific methods of supply, and the management policies proposed by government departments. Therefore, by controlling the land market, it can have a good inhibitory effect on the overheating of the real estate industry. The third is administrative policy. Administrative policies are mainly reflected in two aspects, one is the policy of restricting purchases and loans, and the other is the system of administrative accountability. The purchase

restriction policy is also divided into the number of purchase restrictions and the qualification restrictions for purchase. The government's restrictions on the number of households or individuals to allocate real estate are the core content of the purchase restriction policy, and the number of purchases for individuals or households also determines the strength of the purchase restriction policy. At present, the limit on purchases in most cities imposes restrictions on the number of houses purchased, not for individuals, but for families. The restrictions on the qualification of home purchases are mainly for non-domestic families, and almost all cities have imposed stricter restrictions on the purchase of non-domestic households.

Table 2 Currency Tools and Real Estate Prices

Stage	Time	Price tool		Quantitative tool	Average price of commercial housing
The first stage	1998	Interest rate	Re-discount rate	Currency supply	Average price
	1999	7.65%	6.03%	104498	2053
	2000	6.03%	2.16%	119897	2063
	2001	6.03%	2.16%	134640	2112
	2002	6.03%	2.16%	159634	2170
The second stage	2003	6.03%	2.16%	185602	2250
	2004	5.58%	2.16%	201158	2359
	2005	5.58%	2.97%	215555	2778
	2006	5.58%	2.97%	254314	3167
	2007	5.58%	2.97%	298654	3366
The third phase	2008	5.58%	2.97%	305621	3863
	2009	6.18%	2.97%	325641	4800
	2010	5.18%	7.50%	356984	5266
	2011	5.79%	7.50%	598641	7895
The fourth stage	2012	6.18%	1.80%	769854	10252
	2013	5.76%	12%	982015	15850
	2014	5.76%	2.25%	982145	16520
	2015	5.76%	2.25%	1023021	20158

4. Evaluation and problems concerning China's real estate control policies

Since 2005, the previous adjustments have had obvious effects. The residential supply structure has been optimized, the market order has improved, and the irregular behavior in the second-hand housing market has been significantly reduced. But there are still many structural problems.

1) Focus on short-term adjustments, it is difficult to reasonably stabilize and adjust expectations. The means of market regulation and supporting measures have not formed a systematic system, and the overall development needs to be further deepened and improved. This kind of policy uncertainty that focuses on short-term regulation makes it difficult for market participants to form stable and reasonable expectations. In the macro-control of real estate in the past 20 years, due to the differences in the development status of the neglected regions, most of them adopt a "one size fits all" approach.

2) Real estate positioning is not clear enough. Defining real estate positioning is the fundamental criterion for setting the corresponding macro-control policy objectives and formulating control plans. The rise and development of China's real estate industry is relatively short, the overall development is not mature, and the lack of a sound institutional system and legal system as a support. In the actual operation of real estate, the macro-positioning is not clear enough. The main manifestation is that the consumption attributes and investment attributes of housing are not clear enough and the status and role of real estate in the development of the national economy are not

clear enough.

3) Excessive reliance on administrative intervention. The real estate industry is a closely related industry. When the real estate operation is not smooth, it is often difficult to achieve the expected results by using a single fiscal policy or credit policy. At this time, administrative intervention is a direct and effective regulatory measure. Therefore, the typical administrative policies such as purchase restriction, loan restriction, restricted sales, and price limit are highly targeted and quick, and can quickly curb the overheating of the real estate market. However, the implementation of the purchase restriction policy will bring about social welfare losses, and it is easy to accidentally injure the residents' basic housing needs or improve their demand, which is not conducive to the optimal allocation of resources and structural adjustment.

4) Missing long-term mechanism. When the property market changed drastically, the management department rescued the city with anxious attitude and buried new roots. The current tax policy is systematically inadequate, failing to play a role in ensuring a stable operation of the market. The real estate tax has not passed legislation, and there are more prosperous investment speculative needs in hot cities, and the letter is waiting for the construction of a long-term mechanism in the real estate market. The problem of unfair rent and sales has formed a pattern of "selling strong rents and weakening". The development of the leasing market can play a role in stabilizing the trading market and stabilizing housing prices. The "rental and purchase" should be accelerated.

5. Measures and recommendations for establishing a long-term mechanism for real estate

1) Deepen the reform of the land system and adjust the land supply. Land supply government monopoly indirectly leads to land finance is an important reason for housing investment attributes above residential properties, so land system reform is an important breakthrough. It is necessary to gradually liberalize land control, break the monopoly of land supply to the government, allow for an increase in the supply of housing land, and promote the realization of multi-subject supply. It is necessary to explore the use of rural collective economic management construction land to build leased housing pilots, allowing vacant homesteads to be used for leasing within a certain period of time and broadening housing supply channels. We can learn from foreign experience, introduce and develop land trust models to ensure the housing needs of low-income groups and migrants. It is possible to promote the increase and decrease of land use for urban and rural construction across regions in accordance with local conditions, flexibly and effectively use land resources, and actively adjust land supply.

2) Steadily promote property tax legislation and establish a long-term mechanism. The implementation of property tax is of great significance to promote the stable and healthy development of the real estate market. Perfecting the real estate registration system is the key to the implementation of the real estate tax. It is necessary to change the situation of "heavy flow and light security" in the past and realize the transition from incremental housing to stock housing. It is necessary to adopt a differentiated property tax strategy, formulate differentiated policies according to the specific conditions of each place, better regulate high-speculative areas, rationally develop medium-sized areas, and support the development of real estate industry in disadvantaged areas. A comprehensive collection of property tax will impose a tax burden on low- and middle-income groups. It is necessary to adhere to the people-oriented principle and provide tax incentives to low- and middle-income groups.

3) Implement the regulation of real estate classification due to city policy. From the perspective of inter-regional differentiation, we should analyze China's current housing problems and construct a differentiated real estate market regulation policy system. It is necessary to pay attention to the differences in geographical location, political status and resource conditions among different cities, implement the classification and regulation of the real estate market, and solve the problem of unbalanced development of the regional real estate market due to urban policies. It is necessary to actively promote the construction of affordable housing, rationally increase the supply of affordable housing, and broaden the scope of housing security. It is necessary to speed up the development of

the housing leasing market, establish and improve the top-level design of the housing leasing system, take the government as the leading factor, actively strengthen the macro management, and establish a sound and complete housing leasing system.

6. Conclusion

The house is closely related to the people. Solving the housing problem is an unavoidable problem in achieving a well-off society. Although the overheating phenomenon in China's real estate market has been curbed under the strong administrative intervention in China, this upward trend is still very obvious. Analysis of the process and means of regulation of China's real estate market, we can find that China's long-term real estate regulation and control policies are not a cure, and it is imperative to promote property tax legislation as soon as possible and establish a long-term mechanism.

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