

# New Idea of Governance Mechanism of Land Benefit Conflict by LTMRRS

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## Abstract

At present, the land system policy has been enriched and perfected continuously in China, but the value of stimulating urban land development and rural land management is still insufficient, and the accompanying land income conflict has never stopped or reduced from the past to the present. The research of related governance mechanism has not solved this problem well. This paper puts forward the idea of "Long-term multilateral returns and risks sharing", which makes the land transaction parties move from the current conflict of interest to the long-term, stable, and cooperative interest pursuit, carries out the reform and innovation of the land system, designs the LTMRRS model, and carries on the model solving and verification work with practical examples. It determines the feasibility and effectiveness of the LTMRRS and its remarkable advantages in resolving conflict contradictions, standardizing, and activating the trading market. It is a new perspective of land conflict governance

**Keywords:** Land system; Ownership; Conflict of land benefits; LTMRRS

## Introduction

As early as December 2002, there was a problem with the allocation of land occupation compensation between the parties concerned, opened the prelude of China in land expropriation compensation. After 2000, the central policy of "agriculture, rural people and rural areas" promotes the development of farmers, at the same time, there are inevitable conflicts of interest in the process of land development. There is a typical contradiction between the improvement of national land administrative law and the escalation of land conflict. The surface of the contradiction is the problem of law, administration and society. In the past, the government has also strengthened the perfection of these aspects, but the essential reason is the economic problem, which belongs to the basic category of welfare economics. Why would you say that? The personal protection of the law on land ownership and use right is conditional, one is that there is no "need of public interest"; the other is that the compensation mechanism does not consider the local autonomy of forward premium and compensation. These two aspects of the problem cannot be refined and circumvented by the law. The social problems caused by the defects of the system can only be temporarily and cannot be cured. From the economic point of view, put aside the discussion of land ownership and privatization, trace the origin of land conflict lies in the contradiction of benefit distribution, and do not care whether public or private. Of course, on the basis that land ownership is a country or a collective, we should encourage the marketization of land, compare the transaction cost and income of land use right to carry out land construction or the re-division of cultivated land protection. Good farmland and bad farmland are no longer excuses to prevent land trading. Based on economic thinking, the management of land conflict is relatively easy. This paper attempts to use economic theory and method to study dozens of related Chinese documents since 2000 and puts forward the conflict management idea of "Long-Term Multilateral Returns and Risks Sharing (LTMRRS)". It also constructs and solves the LTMRRS model of land income, explains the root of land conflict and finds the direction of new governance problem.

## Theoretical Framework

From Figure 1, we can see that there are some institutional defects in the existing land trading market. For example, (1) there are too many highlights the ownership of rural



System defects can be optimized, adjusted and perfected, and the main aspects of land income conflict caused by system defects can be further summarized:

a. Conflict point ①: urban residents involved in the demolition of houses and attachments, facing the government-led expropriation and developer demolition compensation standards are inconsistent or collusion between the two sides, easy to produce contradictions, conflicts, confrontation. On the one hand, the government-led residential building demolition, its demolition compensation is often the lowest standard, compared with the developer-led demolition compensation, residents have more bargaining space, often higher than the government-led subsidies, compensation costs. On the other hand, the government and developers often form interest groups, conspire to lower the subsidy compensation price, harm the interests of residents, is also one of the factors that stimulate residents to confront the government and developers.

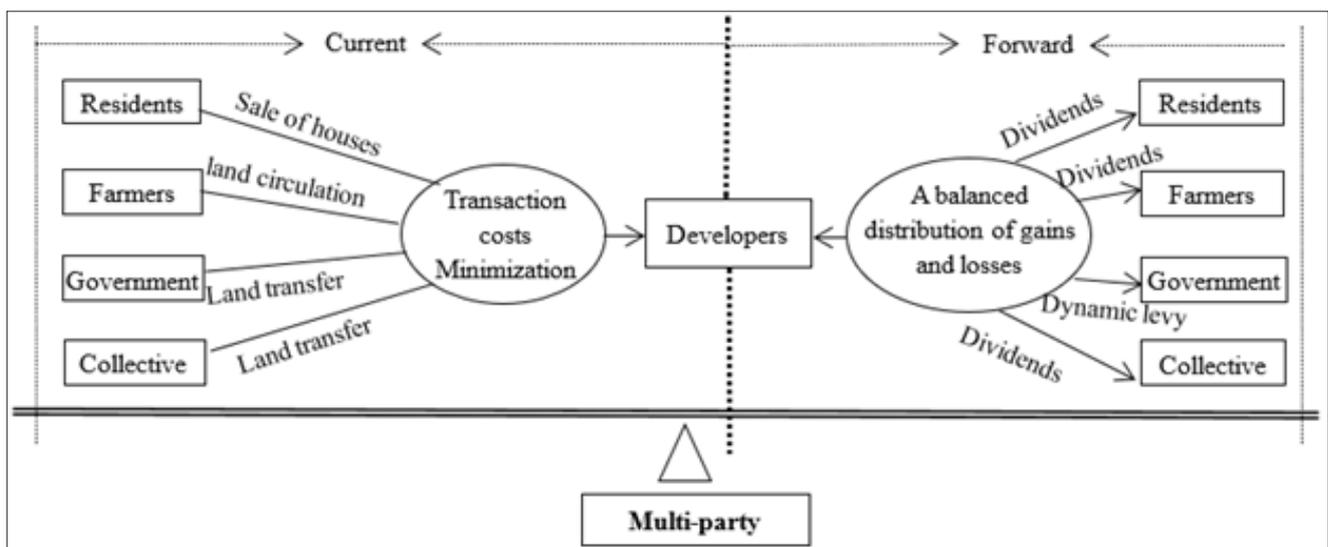
b. Conflict point ②: the income brought by farmers' land circulation is much lower than that brought by rural collective organization's land management and transfer. It is one of the causes of conflict to exclude the difference of objective factors such as land scale limitation and collective organization ability of farmers, and the uneven and unequal income. In turn, it shows that rural collective economic organizations use more power to obtain more economic benefits, and this unequal profit will encourage farmers to transfer contradictions to hinder and confront developers.

c. Conflict point ③: the interest relationship between individual farmers and rural collectives is only manifested in the right of land management contract and the right to use homestead, but it is difficult to define the distribution of the income created by the collective and to enforce the provisions of the legal documents. Although the legal documents stipulate that the income

generated by the collective shall be applied to the construction of infrastructure, public service facilities, or to the development of production, resettlement or compensation for the agricultural population of the land used, in fact, there are phenomena such as the non-distribution of collective income and the illegal possession of a small number of people. In the practice of rural construction land circulation, because farmers' ability to negotiate collectively is relatively weak, and the basic pattern of benefit distribution is collective strength and farmers' weakness, collective organizations have gained a large share in land circulation [1]. Therefore, the contradiction between the use of farmers' public land resources to bring benefits to a small number of people and the lack of due protection of the interests of most farmers is the main problem prevailing in rural areas.

d. Conflict points ④: residents, farmers and developers have different rights and interests in land, which is easy to produce order problems in the land trading market, causing high cost and low efficiency in the land trading market, especially for activating and standardizing the rural land trading market. Residents have the right to occupy, use, benefit and dispose of their house ownership and the right to use the attached land, which activates the urban housing transaction. Developers and farmers who also have the right to trade in the right to use the land have the right to occupy, use and benefit, and do not have the right to dispose of it. This is the performance of the market without effective allocation. In order to optimize the allocation, the government also opened the authority of land management rights of developers and farmers to transfer, swap, contribute, grant, mortgage and so on, and explored the authority of mortgage loans on the right to use homestead of farmers. To some extent, it optimizes the order and inefficiency of the existing land equity market, but it is not enough to meet the demand of the market for rights and interests, so the related rights and interests competition and conflict are more and more frequent.

**Methodology**



**Figure 2:** LTMRRS logical path.

For solve the above conflicts originated from the huge increase of land market value in the past period of time, this paper puts forward the thinking of long-term multilateral returns and risks sharing of land gain conflict management. That is, in order to ensure that the stakeholders can continue to gain income or bear losses in the forward period, the sum of the transaction costs of the parties around the subject matter of the transaction can be reduced to the lowest through negotiation in the current period. And through equalization of current earnings to achieve long-term sustainability of profits or losses. By applying this thinking to land conflict management, the government, rural collectives, residents, farmers, developers and other land transaction stakeholders can reduce the interests of all parties in the current land transaction rights and interests and pursue the minimization of the overall transaction cost in the current period. The long-term multi-party benefit-sharing and risk-sharing contract will make people no longer pay too much attention to the entanglement of land ownership and use right, fundamentally fall on the pursuit and game of interests, and realize the governance objectives of various conflicts caused by property rights problems. To some extent, it is also the adjustment and perfection of existing land system defects. At the same time, without emphasizing the market efficiency and resource allocation of privatization, the collective ownership of rural land can be weakened, and the ownership of land to the state will be firmer and more acceptable to everyone (Figure 2). The foundation of the contract only needs to ensure the high autonomy of the right to use land management. High autonomy is similar to mixed ownership [2]. In order to activate the market, to achieve more efficient allocation of land transactions, and to promote the long-term multi-party sharing of benefits and risk sharing mechanism.

## Viewpoints

In the process of urbanization, the discussion of land nationalization and privatization is not the key to land reform,

and the key lies in the distribution of the value generated by land, that is, the distribution cycle, the distribution object and the method. Effective distribution mechanism can reduce or eliminate contradictions and conflicts<sup>①②</sup>. The effective distribution mechanism should be committed to the income of land to the government, collective, residents, farmers should be long-term, sustainable, and the income cycle for developers can be extended and sustained. Claim that land is owned by the state regardless of rural collective ownership and state ownership, and then emphasize that farmers enjoy a high degree of autonomy and long-term stable land use rights. The actual operation level of collective ownership of rural land is not clear and standardized, which is also the cause of corruption, contradiction and conflict. This will not only reduce the enthusiasm of farmers, but also promote farmers to explore more diversified agricultural management or industrial construction, turning farmers into industrial workers and becoming one of the shareholders of management. It is that the land industry management goes to benefit sharing and the risk sharing, and then reduce or eliminate contradictions and conflict<sup>③④</sup>.

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