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# 'Carrot and stick' approach to housing demolition and relocation under flexible authoritarianism in urban China

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In the context of the reconfigured state-society relation, Chinese states' modes of crisis management have profoundly transformed, featuring the state's greater efforts in reconciling the conflicts among the state machinery of capital accumulation, political stability maintenance and the increasingly diversified societal needs. However, how the local state performs specific missions accordingly in handling day-to-day conflicts on the ground remains under-examined. Accounting for the mundane yet nontrivial conflict resolving strategies featuring 'carrot and stick' approach, this article aims to fill this gap by examining the underlying logic, the operational mechanism, and the socioeconomic implications of flexible authoritarianism at the local level, based on an empirical investigation on how local state handles nail households in housing demolition and relocation in Dalian, China. We define 'carrot and stick' approach as a manifestation of flexible authoritarianism on the ground, which employs a variety of formal and informal strategies as well as administrative and market instruments to handle nail households-induced conflicts that are constitutive of the renewed state-society relation. This study reveals that the 'carrot and stick' approach under flexible authoritarianism has been rationalized as an efficient way for the local state to maintain political and social stability whilst sustaining the momentum of economic growth, thus widely employed in China. This research deepens our theoretical and empirical understanding of the dynamic state-society relation and flexible authoritarianism, and offers a detailed interpretation of why and how such hybrid and flexible 'carrot and stick' approach is rendered inevitable under the current politico-economic environment, power structure, legal and institutional configuration in urban China.

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## Introduction

China has been typically perceived as an authoritarian state that predominantly resorts to repressive and coercive conflict resolving measures. Such conflict resolving measures largely benefited the states at various levels while depriving and infringing the rights and interests of the citizens (Li et al., 2018). This reflects a strong state and weak society in China. Nonetheless, as a constitutive element of stateness, state-society relation is highly dynamic. In recent years, as various social forces have played an increasingly important role in reconfiguring the Chinese state-society relation under a general authoritarian system (Li et al., 2020), Chinese states' modes of crisis management have profoundly transformed. For example, mixed and flexible conflict handling strategies have been reported (Liu, 2017), which largely fall under the rubric of 'carrot and stick' approach (Greffinius and Gill, 1992). Being one of the most contentious issues in present-day urban China (Li et al., 2019a), nail households-induced conflicts in housing demolition and relocation present potential political, economic and social crises for Chinese states, and therefore, can be an illustrative case to examine the prevalent 'carrot and stick' approach and the dynamic state-society relation more generally.

The so-called 'carrot and stick' approach refers to a party's application of a combination of reward/welfare and punishment/coercion to achieve its desirable outcome in conflict situations. The party that employs this approach ought to be powerful enough to make the decisions of either reward or punishment and be able to execute its decisions (Greffinius and Gill, 1992). In this sense, led by single party political system, Chinese states are capable of applying 'carrot and stick' approach (Gallagher and Hanson, 2009). As Liu (2017) contends, the growth of 'carrot and stick' approach is accompanied with the agenda of 'harmonious society building' since 2000s that requires local states to simultaneously ensure economic development and resolve social problems and maintain social stability (Wu et al., 2020). In doing so, Chinese local states apply mixed strategies, including both soft strategies, such as co-optation and surveillance, and hard strategies, including violent coercion and threat, to manage crisis more effectively (Qiang, 2019). However, 'carrot and stick' approach is often criticized as lacking rule of law consciousness and enable local officials to maneuver and manipulate the rule of resolving conflicts (Chen and Kang, 2016). For example, as Sun and Guo (2000) suggest, the use of 'carrot and stick' approach represents an informal implementation of formal power and can address social issues that cannot be addressed through legal means.

In this article, we define 'carrot and stick' approach as a manifestation of flexible authoritarianism, which employs a variety of formal and informal strategies and administrative and market instruments to tackle the long-lasting nail households-induced conflicts. In fact, evolutionary types of authoritarianism are not new and have been demonstrated as effective in enhancing social governance in the transforming China, such as 'consultative authoritarianism', which reveals the co-existence of autonomous civil society development and indirect state control model (Teets, 2013), and 'responsive authoritarianism', which shows Chinese governments simultaneously encouraging public participation and expression and controlling society (Van Rooij et al., 2016). Flexible authoritarianism differs from these concepts. While retaining notable authoritarian feature, flexible authoritarianism reflects the local state's transformative mode of crisis management under the reconfigured state-society relation. As Zhu et al. (2021) pointed out, flexible authoritarianism is an innovative governance arrangement in urban redevelopment practice, for example the state's flexible employment of both market tools and regulatory policies to cool down housing prices (Zhang and Wang, 2016). In the article, we argue that the 'carrot

and stick' approach under flexible authoritarianism has been rationalized as the most efficient way for the local state to maintain political and social stability whilst sustaining the momentum of economic growth.

This article aims to advance our understanding of the theoretical debates on the reconfigured state-society relation and flexible authoritarianism at the local level, through examining 'carrot and stick' approach in resolving nail households-induced conflicts in urban China. To this end, the article explores how the local state performs specific operation in handling the conflicts potentially triggered by nail households. Specifically, the article investigates the underlying logic, the operational mechanism, and the socioeconomic implications that flexible authoritarianism and 'carrot and stick' approach have been employed in resolving the conflicts that are constitutive of the renewed state-society relation in China.

## Flexible authoritarianism in China

After going through four decades' rapid economic growth, the focal point of China's central state has shifted from an overwhelming emphasis on enabling and maximizing economic development through steering state-market relations to pursuing the dual goals of sustaining economic growth and strengthening social governance through striving for soothing and stabilizing state-society relations (He, 2019). On the one hand, a nascent civil society and rising social atomization featuring individualism and self-actualization are in the making, as Chinese citizens are increasingly exposed to western universal values, liberalism and consumerism (He, 2016; Liu et al., 2020; Raskovic, 2017; Yan, 2021). On the other, potential risks of social instabilities are cumulating over the past decades along with the enlarging social inequalities and lasting economic stagnancy after 2008 (He et al., 2020). Citizens' discontents and protests are widespread across the country (Li et al., 2018; Wright, 2018). The Chinese central state has been actively adopting pragmatic strategies to pacify these unrests in order to sustain social stability. For example, a petition system has been established as a deliberative practice to attend to citizens' complaints and grievances and resolve their problems (He and Warren, 2011). While the effectiveness and fairness of such system remain debatable, the Chinese state has evolved into a new stage of flexible authoritarianism going beyond coercion and rigid administrative control to embrace social diversities and civic engagement even if just at face value (Cheng et al., 2015; Lorentzen, 2013). Even at a time when more stringent political control and censorship are introduced, flexible authoritarianism is still highly relevant, as "being flexible" is the means, while authoritarianism is the end/outcome.

In this context, instead of quelling these protests as in the past, Chinese states have adopted alternative modes of crisis management in responding to citizens' actions. For example, as pointed out by Lee and Zhang (2013), one of the micro foundations of Chinese authoritarianism lies in protest bargaining adopting the logic of market exchange, which helps depoliticize social unrest. In other words, the authoritarian states offer rewards and compensations to citizens in order to pacify discontents and prevent potential crises. This can be clearly seen in the recent wave of urban redevelopment in Chinese cities. Since 2010, various forms of state-led financialization have been introduced by the central government to provide financing sources for the large-scale shantytown redevelopment scheme. Local states then establish local government financing vehicles (LGFVs) to undertake construction projects, operate municipal utilities and directly borrow from capital market (He et al., 2020). He (2019) finds that the social welfare nature of the state-led large-scale shantytown

redevelopment scheme requires Chinese local states' provision of non-profit making resettlement housing and enhanced monetary compensation. She further characterizes this as the third wave gentrification that aims at rectifying the substantial housing demolition conflicts, housing affordability crisis and social discontents arising during the second wave gentrification. These changes signify a reconfigured state-society relation in China that features the state's greater efforts in reconciling the conflicts among the state machinery of capital accumulation and political stability maintenance and the increasingly diversified societal needs (He et al., 2017).

Further, the financialization of urban redevelopment reflects a flexible and innovative form of governance in urban China, which is a concrete manifestation of flexible authoritarianism. In other words, market instrument is commonly deployed as a tool to maintain authoritarian dominance under flexible authoritarianism. In fact, emerging as a new mode of crisis management in the context of the reconfigured state-society relation, flexible authoritarianism signals a shift to a flexible form of authoritarian governance, varying much widely from the conventional authoritarianism (Schlichte, 2016). Flexible authoritarianism allows states to flexibly borrow policies and practices from different institutions and governance (Lai, 2016), and respond to an increasingly contentious society according to different circumstances (Hu et al., 2018). Under flexible authoritarianism, Chinese local states have put forward numerous innovative strategies to contain surging and intensifying crises. For example, in Guangdong Province, the newly developed institutional arrangement for conflict management has three key mechanisms, including a platform for facilitating cross-departmental collaboration, an extensive web of conflict control agencies at street-level acting as the antennae of governments, and multiple mediation methods (Chen and Kang, 2016). Shanghai government introduces a social engagement approach, relying on NGOs, community organizations and volunteer initiative to develop a non-coercive strategy in resolving social conflicts (Liu, 2017). Also, He et al. (2020) indicate that the financialization of urban redevelopment represents a form of state capitalism that reconfigures the state-market relation and assists local states to successfully achieve the multiple goals of political and social stability and economic development.

However, it should be noted that the innovative strategies adopted by Chinese local states in flexible authoritarianism do not mean that the local states have given up repressive apparatus, which still remain essential for the making of authoritarianism (Li and Elfstrom, 2020). For example, Hou (2020) finds that emotional repression by grassroots petition officials has played a significant role in absorbing petitioners' complaints and grievances rather than resolving the actual problems; and therefore it is still a form of social control and suppression. Also, Yip (2020) studies urban activism in confined civil spaces and indicates that while the development of cross-neighborhood networked organizations of homeowners has the potential to mobilize social movement, it is still under the tight control of the authoritarian system at the local level; and the control is through various strategies used by the local state such as incorporating the organizations into a governing network, guaranteeing the "right people" to be elected, and pre-empting disruptive actions (Yip, 2019). More often than not, these strategies echo the local states' own willingness and motivations and do not affect their interests. Therefore, Chinese local states continue to impose stringent social control and repression in order to nurture political compliance and prevent any problems from transforming into anti-regime forces. For example, surveillance and censorship over social media has increased in order to prevent dissident voices and achieve the purpose of political propaganda (Qin et al., 2017). In this sense, flexible authoritarianism has an inherent authoritarian

nature, occurring without the retreat of state control and repression (Cabestan, 2004).

### **Contentious urban (re)development and nail household in China**

As a dominant form of specialized capital accumulation, urban (re)development projects and the associated housing demolition and relocation process have been highly contested, as exemplified by the prevalent nail households who resist demolition and relocation and induce widespread conflicts (Li et al., 2019a). The use of the term 'nail' implies that these resisting households are stubborn, like nails sticking on the (re)development sites, which require some external forces to pull them out. In urban (re)development projects, the external forces usually come from local governments, private developers or demolition companies authorized by local governments and private developers.

Some of these resistances and conflicts induced by nail households have led to severe political, economic and social crises, threatening the legitimacy of the ruling Communist Party, affecting Chinese local states' economic gains and impacting to the rights and interests of local households (Li et al., 2021). In this regard, urban (re)development is politically risky for the local officials because the social conflicts and resistance from housing demolition and nail households can cast negative light on them and derail their promotion. Also, a recent study by Li et al. (2019a) suggest nail households' heterogeneity in terms of motivations, strategies and outcomes in their bargaining, further demonstrating that nail household induced conflict is a representative issue under the reconfigured state-society relation in China, which needs transformative mode of crisis management to handle. Nail household in housing demolition and relocation in urban (re)development in urban China therefore has become a key arena in understanding flexible authoritarianism.

Chinese local states have been endeavoring to introduce new strategies and modes of governance in dealing with contentious urban (re)development. For example, in the 'Three Old Redevelopment' (TOR) program (old factories, old city neighborhoods, and old villages) in Guangdong Province, the local states have made major institutional concessions by encouraging the existing land users to join the development coalition (Li et al., 2019b). On the one hand, this ensures the existing land users receive a significant share of the profits, while on the other, allowing them to negotiate with the local states and private developers on land redevelopment planning, or encouraging self-redevelopment to minimize resistance (Wong et al., 2021). Wu (2018) terms this mode of governance as state entrepreneurialism that combines planning centrality and market mechanism and has replaced direct authoritarian control. Meanwhile, a hybrid welfare and housing regime is observed at the intra-urban scale, for instance in the China-Singapore Suzhou Industrial Park (SIP), featuring a neoliberal logic in the disguise of social democratic regime, co-existing with a productivist regime. Specifically, SIP's provision of resettlement housing for indigenous residents partially resembles the social democratic regime, which was in fact in exchange for the lucrative land (re)development. Meanwhile, upholding a productivist ideology, SIP has paid more attention to high-skilled workers by providing housing provident fund, public rental housing and 'talent housing' at a discounted rate (He and Chang, 2020).

Not surprisingly, given the fiscal importance of land, Chinese local states often side with private developers and prioritize land revenue maximization. The rights and interests of affected households are of their secondary concern (Li and Liu, 2018). For example, as Lin (2015) finds, in Lie De Village redevelopment in Guangzhou, rural migrants lost their homes due to increased

rental price and were forced to move to the peripheral regions; and the only deaf school in the city was relocated to the outskirts to make room for commercial development. Also, to deal with nail households, the most recent regulation on the TOR program stipulates that as long as more than two thirds of households agree for resettlement, local governments can initiate demolition and relocation (Guangdong Provincial Government, 2019). For those nail households who continue to resist, local governments can sue them to local courts. In the current system, it is still possible for the state to dominate the judiciary process (Pils, 2016). The nail households therefore have no chance to win and will be punished for violating the administration of public security (Biddulph, 2015).

Rising scholarly attention has paid to understand how nail households have been handled by suppressing strategies. For example, He (2012) documented that the demolition office cuts off household's electricity and removes all burglar bars from household's windows. Pils (2016) details some 'creative' methods used by demolishers to deal with evictees, such as hanging evictees on trees, nailing cat to a tree and using its dying meows to terrorize evictees, and even hiring people infected with HIV to threaten evictees. Ong (2018) examines the 'thug-for-hire' strategy in state repression, in which local government employs thugs and gangsters to evict homeowners. In contrast, recently, some scholars discover the significant transformative measures from violent to more conciliatory strategies. For example, Li et al. (2016) provide a case where local government sent an elderly couple with disadvantaged socioeconomic status to a public nursing home in order to get their cooperation for resettlement. Associated with 'bargained authoritarianism', Wu et al. (2020) document local officials gradually increasing monetary compensation in the dynamic market exchange process to meet tough nail households' demand, avoiding social unrest and maintaining social stability.

However, none of the above studies explicitly recognize China's reconfigured state-society relation that urge the local states to adopt mixed and flexible conflict handling strategies that combines formal and informal strategies and administrative and market instruments in dealing with nail households, i.e., the 'carrot and stick' approach under flexible authoritarianism. Filling this research gap would allow for a deepening theoretical and practical understanding of the dynamic state-society relation and flexible authoritarianism, and a detailed interpretation of how such mixed and flexible strategy of 'carrot and stick' approach is rendered inevitable under the current political economic system, power structure and legal and institutional configuration of China.

### **Study case and methodologies: a housing demolition and relocation project in Dalian**

The case city for this study is Dalian. While Dalian is still one of the most prosperous cities in northern China, it has lagged in terms of economic development at a national scale within recent years. Dalian governments therefore have urgent need to boost economic growth. Meanwhile, as a sub-provincial city, the secretary of Dalian Municipal Committee of the Communist Party of China and mayor of the Municipal Government of Dalian have the opportunities to be promoted to full ministerial level or even higher levels. They are incentivized to demonstrate their governance capabilities in developing the local economy. Therefore, as the quickest way, land (re)development has become the optimal choice for Dalian, and the city has promulgated land-centered development planning and policy.

Accompanying the land-centered development is the large-scale housing demolition and the relocation of affected local

households from their existing residence to newly planned areas. In order to accelerate the progress of housing demolition and relocation projects, Dalian governments have worked closely with private developers and sometimes turned a blind eye to developers' illegal means and violent strategies in dealing with nail households. However, as mentioned earlier, the central government's agenda of 'harmonious society building' emphasizes the development of a harmonious relationship between various levels of governments and local households. This policy shift, on the one hand, empowers local households in the bargaining with developers, as they think they are protected by the central government, while on the other, requires Dalian governments to prevent any actions that may cause persistent conflicts and potential political, economic and social crises, and to play a proactive role in managing crises properly and promoting harmony and stability. As a result, in contentious situations, Dalian governments would not allow purely coercive force to suppress protests, rather, they seek for a variety of strategies, including both soft and hard strategies to manage crises. This signifies a reconfigured state-society relation and a shift to flexible authoritarianism in Dalian.

The empirical study mainly draws on a housing demolition and relocation project, which is situated in the center of Dalian, with a long history dating back to the 1920s and 1930s when the city was a colony of Japan. Most of the houses built in this period were Japanese style villas and Japanese settlers inhabited them. After World War II, Dalian city was under control by the Soviet Union; as a result, Russian-style houses were constructed in the neighborhood. And during the 1980s and 1990s, Chinese style apartment blocks were added. Due to the project site's superior geographical location (near one of Dalian's best hospitals and within one of Dalian's best school zones) and huge land area, it has large potential economic profits. Despite the project site's historical and cultural values, the Municipal Government of Dalian has been keen to redevelop the site for many years and eventually decided to knock down the neighborhood and vacate the land for higher-density redevelopment in January 2010.

Prior to the housing demolition and relocation project, there were about 1700 households living on the site. These households are from a wide spectrum of socioeconomic backgrounds, including incumbent or retired government officials, leaders of State-Owned Enterprises, businesspeople, normal white collar and working class as well as unemployed people, such as retired and laid-off workers. Some households moved in during the Japanese retreat and the initial period of the establishment of the People's Republic of China, some households were allocated public welfare housing (Chinese style apartment) in the 1980s and 1990s by their working unit (mostly Dalian Railway Sub-bureau), while some households bought Japanese style villas with yard in the 2000s as they were attracted by the central location, great school zone, nostalgic sentiments and personal interests to the architecture style. Other Japanese villas were allocated to senior officials from the city government and the army.

In the case project, the local developer obtained the land development rights of the site and was in charge of completing housing demolition and household relocation. In an attempt to mitigate the difficulties of relocating local households and managing potential political, economic and social crises, it formed a coalition to jointly implement the project with a government department in Dalian, which represents the municipal government and takes direct responsibility for the redevelopment project. The coalition then devised a special operational model called 'raw land listed as leveled land'. In fact, since 2007 China has banned raw land to be listed in the market and stipulated that all land for sale must be leveled land with clear property rights in order to avoid land waste and increase land use efficiency

(Ministry of Natural Resources, 2007). Obviously, this operational model violated the national regulation because the raw land was transferred to the private developer as leveled land. However, the model was still established to facilitate the deployment of market instruments and the mobilization of various resources to ensure the legitimacy and efficiency in handling conflicts.

Due to the significantly different socioeconomic backgrounds, these households have various needs and concerns in the redevelopment of the site and the resettlement process. Specifically, different nail households resisted the housing demolition and relocation project with various motivations and started their resistance at different stages of the project. For example, nail households resisted the project either because they deliberately planned to claim for more compensation, or truly cherished the historical and cultural heritage, being opportunistic or dissatisfied with the unjust procedure. Nail households started to resist either since the beginning of the project or during the resettlement negotiation process. These complex situations in the project require the coalition to apply mixed and flexible ‘carrot’ and ‘stick’ strategies to manage crises induced by these nail households. The application of specific strategies was in response to different situations, which was determined by who were the stakeholders involved in conflicts, what were their demands, and at what stages the conflicts were developing. Therefore, the housing demolition and relocation project in Dalian offers a case in point to understand the reconfigured state-society relation and the ‘carrot and stick’ approach under flexible authoritarianism.

Fieldwork for this research was conducted during March to September in 2016, August to October in 2017, June to August in 2018 and March to June in 2020 and in May 2022. Most of the ethnographic data was collected through ten semi-structured interviews with local officials and private developer representatives and five direct participations in the internal meetings. All these interviews and meetings were held in the office building of the local state. Deeply entangled in their bargaining with nail households and subject to political sensitivity, the officials and developer representatives initially were unwilling to share their stories. The authors’ local connections to these people helped quickly gaining their trust and allowed obtaining their direct reflections, points of views and concerns on the progress of the housing demolition and relocation project. In addition to their planned conflict handling strategies, and their considerations of the strategic choices and pressures from the upper-level governments, media and public opinions on social stability maintenance. The data for this research also came from the semi-structured interviews with more than two dozen households, numerous site observation and secondary data such as government documents and reports, minutes and newspaper and website articles.

### ‘Carrot’ and ‘Stick’ strategies in handling nail households

In this project, the compensation standard, including monetary compensation and resettlement housing compensation, was solely determined by the coalition. There was no on-site housing compensation. In addition, the developer reserved a certain amount of money as nondisclosure special compensation. The amount of monetary compensation and the location of resettlement housing compensation were directly announced to relevant local households only. There was no democratic decision-making and participatory procedure. The local households were asked to choose one compensation option and then went to the coalition’s office to sign the compensation agreement. Such non-transparent process led to strong discontents from the households and incentivised them to bargain for better compensation terms. As some residents told us, “We think that this project is too

commercial as it only satisfies the interests of the government and developer, but not the local residents”.

To compel different types of resisting households who have varying socioeconomic status and resources to move, the coalition mobilizes various formal and informal strategies and administrative and market instruments under the special operational model, which embodies the ‘carrot and stick’ approach. For example, through its executive resource, the local state helped offering resettlement housing construction land and the provision of welfare treatments to satisfy the needs of households; the developer used its financial resource and applied some unlawful strategies to force households to move out at the quickest possibility.

This section presents the specific ‘carrot’ and ‘stick’ strategies applied in this housing demolition and relocation project in Dalian. The section discusses that at the initial stage of handling resisting nail households, the coalition first applied ‘carrot’ strategies including concession, welfare provision, and nondisclosure special offer. These ‘carrot’ strategies were effective during the initial stage in terms of persuading most nail households to move and defusing the potential crises. As one local official revealed, “in total, about 1300 households have been handled; and among them, 700 households chose the housing compensation, about 500 households chose the monetary compensation while about 100 households obtained some special offers”. The propaganda strategies were applied throughout the project, and its second phase, applied after those ‘carrot’ strategies were deactivated, was the most effective. Then, the coalition applied ‘stick’ strategies to deal with those most stubborn nail households, who were insusceptible to those ‘carrot’ strategies and propaganda.

**Concession.** In this project, an internal unreleased monetary compensation was 10,000 yuan/m<sup>2</sup>, which is the highest monetary compensation at that time in Dalian. In order to achieve a faster demolition and relocation, the coalition decided to further increase the monetary compensation to 12,000 yuan/m<sup>2</sup> in the official compensation package. The official compensation package also included housing compensation in Dalian’s suburban area. If deemed legal, the coalition also compensated the self-built housing with 2000 yuan/m<sup>2</sup>.

Households on the site were highly dissatisfied with this compensation package and about 200 of them demonstrated in front of a hotel, where Dalian municipal conferences for the People’s Congress and the Political Consultative were holding in January 2010. The Municipal Government of Dalian then immediately intervened and postponed the project because the government understood that continuing large-scale demonstration might result in severe political and social crises. This demonstrated that they clearly knew that given the changing social environment, they cannot not use any forms of repression to deal with the demonstration. When the project restarted in November 2010, the coalition increased the monetary compensation to 13,000 yuan/m<sup>2</sup> and provided the households with another housing compensation option that is near the original site. This was a significant concession made to meet the households’ demands: many households desired on-site housing because the site is in close proximity to a combination of the amenities convenient for their lifestyles, coupled with the fact that many have lived on the site for decades and have life-long emotional ties to the site. Highly responsive to households’ needs, this economic concession was one of the variegated strategies manifesting flexible authoritarianism that deploys market instruments to fulfill social and political goals. The strategy was very successful as no further demonstration took place in the project.

**Welfare provision.** Furthermore, the coalition offered welfare treatments within the two housing compensation options. These concessions and welfares were different ‘carrots’ and applied in the earliest period of the project, showing that the coalition understood the various demands of the households and tried to avoid the potential crises that may be resulted from failing to fulfill these demands, for example, social resistance caused by the deprivation of school zone housing.

For the initial housing compensation, the coalition provided free extra areas. For example, if a household’s old housing is 45 m<sup>2</sup> or less, 72 m<sup>2</sup> would be provided for free. Because this housing compensation has the minimal area of 81 square meter, household can increase the housing area from 72 m<sup>2</sup> to 81 m<sup>2</sup> with the price of 10,000 Yuan/m<sup>2</sup> per square meter, which is based on the unreleased monetary compensation and much lower than the market price of the housing compensation site. If a household wants to choose a housing bigger than 81 m<sup>2</sup>, then it would need to pay the market price. The coalition provided refined decoration at the standard of 1000 yuan/m<sup>2</sup>. As the developer staff stated, “the refined decoration is provided by our own decoration company, and normally charged 1500 yuan/m<sup>2</sup> in the market”. The coalition also helped arrange public transport line from this area to the city center.

For the new housing compensation option, the coalition also provided free extra area, which is, however, markedly less than that for the initial housing compensation because this housing is near the original site in the city center with higher market price. For example, if a household’s old housing is 45 m<sup>2</sup> or less, 54 m<sup>2</sup> would be provided for free. If a household wants to increase the area from 54 m<sup>2</sup> to 64 m<sup>2</sup>, it pays 3800 yuan/m<sup>2</sup>. If a household wants to increase the area from 64 m<sup>2</sup> to 79 m<sup>2</sup>, it needs to pay 10,000 yuan/m<sup>2</sup>. If a household wants a housing bigger than 79 m<sup>2</sup>, then it needs to pay 20,000 yuan/m<sup>2</sup>, which is the market price.

In addition, under the assistance of other departments, the coalition incorporated this housing site into the original site’s school zone, which has one of the best primary and middle schools in Dalian. This was classified as the biggest welfare offered by this housing compensation and many households eventually chose this housing compensation due to this special arrangement. This welfare, as a ‘carrot’, demonstrated that for the coalition, flexible authoritarianism could effectively facilitate the project.

**Non-disclosure special offer.** At the same time, the coalition understood that the concessions and welfares cannot meet the demands of all households, especially those having privileged socioeconomic backgrounds and claiming for more compensations. These households have substantial resources to support their determined attitudes and persisting resistance. For example, some households have multiple housing properties and do not live on the site so their living conditions are not affected by the redevelopment process, while some households have strong connections (*guanxi* in Chinese) within the governments so they are confident that they can get what they desire for. As the developer representatives explained to the authors, “these households with *guanxi* are the most difficult household to handle. Giving them some special treatments are the most effective way for us. It is costly but bearable in the overall project budget”.

The coalition first identified who are the households that should be given special offer. As the developer staff introduced, “these households include those influential government officials, either incumbent or retired, those who have close connections with influential government officials and developer staffs, such as relatives and friends, and those who are too tough and have the

potential to cause more serious problems”. For the nail households, being identified by the coalition as “special cases” means that there was opportunity to get special offers. Hence, all households wanted to be identified. However, most of them are passive in the situation. These nail households told the authors that, “probably everyone here knows that they paid more to some households. However, we cannot do anything to change this situation because we do not have enough resources and capitals to bargain”.

The coalition then negotiated with these households individually according to their specific situations and bargaining power. For example, one household initially claimed 20,000 yuan/m<sup>2</sup> and the coalition responded 15,000 yuan/m<sup>2</sup> and after several rounds of negotiation in a few months, they reached a deal of 18,000 yuan/m<sup>2</sup>. The developer staff explained: “these negotiation processes are difficult because these households often demand exorbitant prices. We have to think of some ways to cut the prices as much as possible”. A local official added: “in these negotiations, the tougher attitudes and stronger background the households have, the more possibilities the coalition will pay more compensation”. This explains why the coalition usually patronized the powerful households. The one who was compensated with a Japanese villa is a retired municipal government official and the other one who was compensated with 25,000 yuan/m<sup>2</sup> has a relative who is a high-level official in the municipal government.

Offering special compensation helped the coalition to prevent socioeconomic crisis that may be caused by these nail households, including delaying the progress of the project, affecting the developer’s economic profits and local officials’ political performance. Again, despite being an informal approach, this special offer demonstrates that the ‘carrot and stick’ approach under flexible authoritarianism could effectively pacify contentious households.

**Propaganda.** The propaganda strategies were applied throughout the project, as supplement to the concessions, welfares and special offer. Applied during the project’s initial commencement, the first phase of propaganda is conventional, mainly through local television program, newspaper and website. The coalition also held a grand ceremony of the project’s commencement, distributed flyers about the project’s compensation package, explained to households face-to-face and in an emotional way about the project’s strategic significance and urgency and the compensation’s welfare. The core of this phase is to build a positive image of the coalition and push households to sign compensation agreement and move out as soon as possible.

The second phase occurred during the project’s second commencement in the end of 2010. During these times, the central state launched the 2011 regulation. The 2011 regulation stipulates that, if households disagree with housing expropriation and compensation, they can apply for administrative lawsuit; if there is no application for administrative lawsuit within the statutory time and households still refuse to move out, relevant government department can apply to court for forced execution. The 2011 regulation provides households with legal opportunity to claim their rights and interests. However, as mentioned, this project is based on the 2001 regulation. Taking advantage of the information asymmetry and households’ misunderstanding of the two regulations, the coalition proclaimed that according to the 2011 regulation households resist the project will be identified as nail households and subject to legal punishment, including fine, detention and even sentence.

The third phase has commenced since 2011, in the form of administrative intervention. As will be introduced below, the

coalition threatened and harassed nail households in this period, leading to many negative events. However, in order to not affect the project progress and image, the coalition, under the assistance of other government departments in Dalian, administratively ordered local media to not report any negative events of the project. Also, in 2016, there were still about 300 households refusing to sign the agreement. In the internal progress meeting, the coalition decided to release a message that some long-struggling nail households have moved out with the standard compensation, in the hope of affecting other nail households' decisions. However, one of authors who visited the site and attended the meeting immediately knew that this was a fake message made up by the coalition.

**Threat and harassment.** After 2011, the coalition decided to apply intimidation and harassment strategies in continuation of the resettlement process. They believed that these illegal and violent strategies are the most direct and effective because the concessions and welfares are unable to persuade all households to move out and it is also impossible to offer more special compensations to more households given significant financial constraints of the private developer. Both the local state and private developer mobilized massive resources in the project in the hope of gaining more economic profits, if the large number of households resisting the project were not handled properly, the coalition would encounter serious economic crisis.

The first round of harassment strategy is cutting water, electricity and gas. This strategy significantly affected most households' lives. While some households could not endure and moved out, many households demonstrated and reported their sufferings to police and upper-level government. This helped them reconnect the services, but the destroyers have only been warned and never been punished. Hired by the coalition, these destroyers are from a local demolition company with gang background. These destroyers also harassed households by removing their housings' tiles, throwing bricks and even excrement into front yards, burning things around their housing and making noise at night. One household told the author his suffering, "one day only my mother aged over 80 was at home. These people destroyed the gas pipe and gas then leaked. My mother was unable to move freely and felt sick and dizzy and then passed out". Another household was injured during his physical bargaining against the demolition staff, he described, "I was not at home on that day. When I returned home, I saw my 90 years old mother standing on the street. I asked her why and then realized that there were some people demolishing the transitional housing in the yard. I went to talk to them to persuade them to stop but failed. I used my phone to try to take pictures. They came and robbed me of my phone and pushed me down. My phone was broken and my legs were bleeding. I then called police".

Verbal abuse and threat were also prevalent. One household told the author that, "in the first meeting with the developer, I told them directly that I am not happy with the compensation and want on-site housing. However, they responded that here has no on-site housing, and in the future, here is for rich people, you look very poor and do not afford to live here". The household said that "I felt humiliated because I am an old Communist Party member and have contributed a lot to the society. How could they call me poor person and treat me disrespectful like that?". Another household told that, "one day, a group of people wearing battle fatigues came to our yard and started to destroy our belongings. My husband asked them who are you and what are you doing here. They asked us to leave immediately with rude language. We then realized that these people are the demolition people and then said that you do not have the right to come to

our property. One man threatens us to be careful that white sword in and red sword out. We are very scared of their behaviors".

In parallel to the 'carrots' of concession, welfare and special offer, the application of intimidation, harassment as well as propaganda strategies were the 'sticks' and reflected the coalition's strong dominance in the flexible authoritarian governance mode. The so-called innovative 'carrot and stick' approach was not to promote democratic and participatory decision-making but to contain the potential crises and facilitate the project.

## Discussion and conclusion

The 'carrot and stick' approach is a particular manifestation of flexible authoritarianism. It has a clear boundary demarcated by the political and/or economic interests of the local government-private developer coalition, while 'carrots' or 'sticks' are employed to keep affected households within this boundary. For example, although the coalition made concession on the compensation package, it never responded to many households' claim for on-site housing because in its land development plan, the site will build luxury high-rise and low-rise housing to generate more economic revenues. According to the interview with the developer, the planned sales prices are 30,000 yuan/m<sup>2</sup> for the high-rise housing and 60,000 yuan/m<sup>2</sup> for the low-rise housing—much higher than the monetary compensation and the costs of offering the housing compensation. The profit the developer planned to make was not reasonable—in 2010 in Dalian, the average housing price was below 10,000 yuan/m<sup>2</sup> and annual per capita disposable income of the urban residents was just above 20,000 yuan. Besides, the coalition did not apply any strategies more destructive than threat and harassment to avoid drawing attention from upper-level government, media and wider publics and inducing further political and social crises.

The 'carrot and stick' approach is not only flexibly applied to various projects and at different stages of a single project, it could be turned into tailor-made individual deals targeting different households. Applying 'carrot' or 'stick' to particular households was well designed by the coalition. For example, not all nail households can get the very attractive non-disclosure special offer—the biggest 'carrot' in this project. In fact, this offer is only given to households who are able to gain information, horn negotiation skills, and eventually persuade the coalition to concede through their personal connections, which has maintained even consolidated its significance in the post-reform period (Wong and Tjosvold, 2010). This is likely to trigger too much local discretion and exacerbates socioeconomic inequalities. For those without *guanxi*, they are disadvantaged in the negotiations and are most likely to suffer from some 'sticks' first then have to accept whatever 'carrots' provided by the coalition, for example moving the suburbs where the accessibility and public facilities such as hospital and parks are much worse, when they cannot endure the harsh living environment and constant harassment. These households were disenchanting with the rule of law development in China, as they had personally experienced the discriminatory compensation.

In the recent decade, through a series of institutional adjustments and power reshuffling, the central government started to pay more attention to address local households' discontents and resistance. Moving away from absolute top-down decision-making and rigid and coercive administrative control, these changes signify the rise of flexible authoritarian under China's reconfigured state-society relation and the changing political and regulatory context. However, given the discrepancies between the central and local states in terms of political and socioeconomic

goals, local implementation of the central directives is highly contingent on the needs of local officials, who often turn a blind eye at private developers' aggressive actions and behaviors. As the result of the reconfigured state-society relation, the 'carrot and stick' approach under flexible authoritarianism moves away from repressive and coercive conflict resolving measures. However, the coalition also manipulated the 'carrot and stick' approach according to the social and political capital of nail households rather than following laws and regulations. This represents an arbitrary, inconsistent and unruly mode of social governance during urban redevelopment process, rather than an innovative way of democratization. In this sense, although societal actors have been placed greater importance in the reconfigured state-society relation, the state is still dominating through "flexibly" manipulating the rules to resolve conflicts.

It is worth noting though, under the current political economic system, power structure and legal and institutional configuration of China, 'carrot and stick' approach under flexible authoritarianism is rendered inevitable in urban (re)development process. As Biddulph et al. (2012) contend, with the absence of a set of uniform and formal laws and regulations and stringent law enforcement in China, legal approach sometimes is not able to address social problems adequately and informal approach takes place. In this project, the 'carrot and stick' approach under flexible authoritarianism helps offset the defects of relevant demolition regulations, accelerate the progress of the project and consolidate the legitimacy of the project; it is efficient and effective at local level in response to the shifted state-society relation. In this sense, arising from the loophole in Chinese legal and regulatory system, the 'carrot and stick' approach under flexible authoritarianism appears to have been 'successful' in handling the nail households and pacifying the conflicts. Therefore, Chinese local states would continue to adopt such approach in the future to safeguard their interests and maintain a strong intervention and omnipotent power in land (re)development simultaneously. This echoes existing findings that the state employs various policies and strategies to maintain its dominant role in the formation, transformation and governance of new urban spaces (Cai and He, 2021).

This research presents an updated and nuanced understanding of the operationalization of the 'carrot and stick' approach under flexible authoritarianism on the ground. By revealing the hybrid conflict handling strategies in dealing with different types of nail households who have varying levels of socioeconomic status and resources, this research highlights the local state's heightened emphasis on extra-economic goals in governing urban (re) development. This reflects how the local state endeavors to achieve the dual goals of maintaining political and social stability and maintaining economic growth under the reconfigured state-society relation. However, the 'carrot and stick' approach under flexible authoritarianism has generated a potential consolidation and reproduction of inequalities linked with the unequal compensation among households and the lack of protection for vulnerable groups. In recent years, China's central state has made unprecedented institutional adjustments, aiming at narrowing the gaps between different strata of society and promoting equity in the country. Future research can investigate how a reconfiguration of the flexible authoritarianism that involves the strategic deployment of a set of formal and informal, market and non-market governance tools to serve the national goals.

#### Data availability

The datasets generated during and/or analyzed during the current study are not publicly available due to interviewees' privacy

concerns but are available from the corresponding author on reasonable request.

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### Author contributions

CL: research design and conceptualization, data acquisition and analysis, writing—original draft preparation and revision. SH: conceptualization, supervision, writing—review and editing.

### Competing interests

The authors declare no competing interests.

### Ethical approval

(1) This research has been approved by the University of Melbourne. (2) We confirm that all research was performed in accordance with relevant guidelines/regulations applicable when human participants are involved.

### Informed consent

We confirm that informed consent was obtained from all participants for participation in the study by asking them to sign on the informed consent form.

### Additional information

**Supplementary information** The online version contains supplementary material available at <https://doi.org/10.1057/s41599-023-01807-7>.

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