

# Insights from Historical Institutionalism: The Institution and Evolution of Shanghai's Urban Renewal

Jihuan Li

**Abstract:** Chinese cities are transitioning from urban spatial expansion to inner-city regeneration. Examining past urban renewal practices, identifying existing tensions and challenge, and exploring sustainable mechanisms for future urban renewal are urgent tasks of significant importance. This paper reviews theories of historical institutionalism, particularly incremental institutional change theory, and uses this conceptual framework to analyse the evolution of Shanghai's urban renewal institutions from 2002 to 2021. It finds that Shanghai's urban renewal mechanism has transitioned incrementally through institutional conversion and layering, and actual practices often deviate from formal rules. Formal and informal rules coexist, and the introduction and promotion of new rules repeatedly encounter obstacles. The paper argues that within China's bureaucratic system, where local governments have significant discretionary power, policy implementation is the key stage for actual institutional changes. Therefore, it advocates for applying the incremental institutional change theory in the policymaking process. Before introducing any new policies, it is necessary to comprehensively investigate the discretionary power vested in stakeholders, infer potential stakeholder reactions, and assess their consequent impact on policy implementation. This approach can fundamentally enhance the effectiveness of new policy introduction and improve urban renewal mechanisms.

**Keywords:** historical institutionalism; incremental institutional change theory; urban renewal; Shanghai

Currently, urban development in our country has transitioned from an expansion phase to a stage of high-quality growth and stock transformation. Optimizing the structure of land use and enhancing environmental quality have become the main objectives of urban development. Within built-up urban areas, urban renewal is the primary spatial construction activity to achieve these goals. However, issues such as varying qualities of development and operations, difficulties in balancing various interests, and the challenge of accommodating the demands of government, market, and society in collaboration still pose serious problems in China's urban renewal governance<sup>[1-2]</sup>. Therefore, exploring sustainable urban renewal systems represents the most significant and urgent challenge for Chinese cities today. In 2023, the Ministry of Natural Resources released the "Guidance on Planning and Land Policies Supporting Urban Renewal," demonstrating the national level's clear recognition and determination to address urban renewal issues. Studies<sup>[3-4]</sup> suggest that governments at all levels need policies with clear objectives and guaranteed implementation to guide sustainable urban development. How to provide institutional guarantees for urban renewal governance is a key difficulty in this process<sup>[5]</sup>. Based on years of continuous attention and reflection on urban renewal governance, I believe that focusing on the implementation of policies and the actual informal rules in existence is crucial for driving institutional innovation. Reviewing the evolution of past urban renewal systems and analyzing their problems and difficulties will provide valuable references for subsequent policy formulation. On this basis, introducing a rigorous analytical framework to guide policy making will

also enhance the effectiveness of subsequent urban renewal policies.

Historical institutionalism, particularly its theory of incremental institutional change, should be more extensively integrated into planning research and policy making. On one hand, this theoretical approach has strong explanatory power for China's urban governance activities, helping researchers and practitioners better understand past policies and their implementation; on the other hand, this framework also has the potential to serve as a guiding analytical framework for policy making, making the policy making process more rigorous and meticulous, thereby improving policy effectiveness.

Firstly, this article introduces the analytical framework of historical institutionalism and demonstrates its inclusiveness. Secondly, it summarizes the formal state-owned land urban renewal system changes in Shanghai from 2002 to 2021. Thirdly, using the framework of incremental institutional change theory, this article analyzes the implementation of formal rules of urban renewal and the resulting actual institutions formed, summarizing the behavior patterns of various stakeholders and highlighting the difficulties in implementing urban renewal policies. Lastly, this article showcases the thinking and working modes that historical institutionalism can offer to guide policy making.

## **1. Historical Institutionalism Theory and Its Application in the Field of Planning**

### **1.1 Overview of Historical Institutionalism**

Theory Historical institutionalism is one of the three branches of new institutionalism. This theoretical branch defines institutions as "rules, behavioral standards, and conventions that organize and constitute social relations" <sup>[6]</sup>, analyzing how the timing and sequence of events create or alter formal and informal institutions through the primary dimension of historical development <sup>[6]</sup>. Historical institutionalism posits that enduring institutions are not always the result of purposeful means; unintended consequences can instead become long-term institutions <sup>[7]</sup>. The advantage of this analytical framework lies in its avoidance of individualist methodologies and rational actor assumptions <sup>[8-9]</sup>, and its inclusion of power relations and collective values within societal strata <sup>[7,10]</sup>. Historical institutionalism suggests that participants strategically attempt to achieve complex, situational, and variable goals. Some strategies may be more favored in their context, yet participants' perceptions of the environment are often incomplete or inaccurate in hindsight <sup>[11]</sup>. Historical institutionalism theory includes three main concepts: path dependence, critical juncture, and incremental institutional change. The first two usually appear together, forming the most common model of punctuated equilibrium in historical institutionalism theory: path dependence describes the phenomenon where changing existing institutions becomes more difficult over time <sup>[12]</sup>, suggesting that some institutions can form positive feedback loops and self-reinforce <sup>[13-14]</sup>; a critical juncture is a point in time when significant external changes occur, existing institutions lose legitimacy, and participants' actions trigger drastic institutional changes <sup>[12,15-17]</sup>. This model considers critical junctures as starting points for long-term path dependence <sup>[18]</sup>. Incremental institutional change is another dynamic theoretical model that has developed over the past 10 to 20 years.

### **1.2 Incremental Institutional Change Theory**

Incremental institutional change theory establishes an analytical model incorporating power elements to understand institutional transformation. The decisive factors leading to institutional change are internal contradictions within the institution and shifts in power relations among participants, which affect resource allocation and thus gradually drive the institution itself to change <sup>[19]</sup>. Therefore, the continuation of an institution is not necessarily the consequence of positive feedback but might also result from ongoing competition and mobilization of various resources by different parties <sup>[20]</sup>. Institutions are composed of policies born at different times, each adopting different logics that may not necessarily be compatible with each other. This incompatibility creates contradictions that motivate participants to act, including advocating for new rules and defending existing ones, potentially driving gradual institutional change and creating transformative effects over time <sup>[6,19]</sup>.

Incremental institutional change theory views compliance during rule implementation as a key determinant of the mode of gradual institutional change. Rule-makers and implementers are usually different individuals, and codified rules inevitably have ambiguous aspects, making it generally impossible to ensure absolute consistency between implementation and rules <sup>[19]</sup>. Interpretation, application, and execution of rules may involve a range of disagreements, and the ambiguity of codified rules allows participants to utilize or even misinterpret rules according to their preferences. In other words, the space for non-compliance can be considered a power granted to rule implementers, and such space may foster gradual institutional change.

Incremental institutional change theory categorizes participants into two types: defenders of existing rules and challengers. Based on the concept of compliance, the theory identifies two key variables determining the mode of institutional evolution <sup>[19-20]</sup>: ① background variables. High-level background institutions grant defenders of power to resist changes (including changes to the rules themselves and their implementation). ② institutional variables. The target rules themselves grant participants varying levels of discretionary power during implementation. The former describes the characteristics of the overall political environment, while the latter describes the features of the institution itself, indicating different power distributions. Different combinations of these variables lead to four distinct modes of gradual institutional change (Table 1). These four modes are: ① substitution, where existing rules are abolished and new ones introduced; ② layering, where new rules are introduced alongside existing ones; ③ drift, where the role of existing rules changes due to exogenous environmental changes; ④ conversion, where existing rules are strategically altered through changes in their implementation. See Table 2.

Tab.1 Combinations of contextual and institutional variables and the corresponding patterns of incremental institutional change

整体政治环境的特征	目标制度的特征	
	自由裁量水平低	自由裁量水平高
既有规则捍卫者拥有强否决力	层叠	漂移
既有规则捍卫者拥有弱否决力	替代	转换

Source: The author drew this based on Mahoney et al<sup>[19]</sup>.

Tab.2 Features of four patterns of incremental institutional change

	替代 (displacement)	层叠 (layering)	漂移 (drift)	转换 (conversion)
既有规则是否被废除	是	否	否	否
既有规则是否被忽略	-	否	是	否
既有规则的作用是否产生变化	-	否	是	是
新规则是否被引入	是	是	否	否

Source: The author drew this based on Mahoney et al<sup>[19]</sup>.

The mechanisms by which the two key variables determine the modes of gradual institutional change are as follows: When the target institution does not provide discretionary space, and defenders of existing rules cannot veto their abolition, institutional changes can be achieved through the introduction of new rules and the abolition of old ones, i.e., institutional substitution; when defenders of existing rules have high veto power to maintain both the existing rules and their execution unchanged, and the target institution does not offer discretionary space, then the introduction of new rules will occur alongside the execution of existing ones, resulting in the layering mode of institutional change; when defenders of existing rules have the ability to retain the rule and fail to respond effectively to external changes, participants with high discretionary power might alter the enforcement of the rule due to external influences, thereby changing the actual effects of the existing rule, this mode is known as institutional drift; and when the overall environment does not grant strong veto power to defenders of existing rules to keep the enforcement of those rules unchanged, while high discretionary power allows challengers of the existing rules to intentionally change their implementation behavior, the function of the existing rules will be altered, and this mode is referred to as institutional conversion.

### 1.3 Application of Historical Institutionalism in Planning Research

Scholars have written articles introducing historical institutionalism theory, advocating for the introduction of this theoretical framework into planning research<sup>[9,21]</sup>, and applying it to analyze the evolution of planning land institutions in countries such as Japan, China, and sub-Saharan Africa<sup>[22-24]</sup>. Other scholars<sup>[25-27]</sup> have attempted to apply this theory to the study of planning history in China.

However, the above studies mainly applied the critical juncture and path dependence models, with few applications of the gradual institutional change model <sup>[28]</sup>. Some scholars <sup>[29]</sup> believe that the punctuated equilibrium model adopts a strong institutional assumption, i.e., there is little deviation between rules and their implementation, making it difficult to accurately summarize the characteristics of institutional change in polities where rules are not strictly enforced. Another scholar <sup>[30]</sup> took China's land property rights system as an example to illustrate that institutional change is a process full of continuous contradictions, where equilibrium does not exist. I believe that this model has strong explanatory power for the institutional changes in China's planning and land sector. The significant institutional reforms after the reform and opening up were generally a process of decentralization of power <sup>[31-32]</sup>. The top-down supervision and personnel appointment system at various levels ensured political unity, but grassroots governments were granted considerable autonomy in some areas <sup>[33]</sup>. The gradual institutional change model focuses on the non-compliance space in the implementation of formal rules and the potential actual institutions that may arise during this process.

## **2 Evolution of Shanghai's Official Urban Renewal Policy**

This study employs a qualitative approach to conduct case studies on the evolution of Shanghai's state-owned land urban renewal system from 2002 to 2021. Data collection methods include interviews, organization of policy documents, and surveys of renewal projects. This research uses process tracing to analyze policy texts and project data, outlining the sequence of key events during the evolution of the urban renewal system; it then verifies through interviews and text analysis to establish causal relationships between significant events and explore the decisive factors behind the institutional evolution <sup>[34-35]</sup>. The author collected 24 national and local laws and regulations and conducted in-depth investigations into four industrial, commercial, and residential renewal projects driven by different channels: Hulian Baodi, Shangsheng Xinsuo, Taopu Zhichuangcheng, and China Merchants Bund Xi. During 2021 to 2023, 48 interviews were conducted with government officials at the national, city, and district levels, scholars, planners from planning and design units, as well as property owners and developers. Due to space constraints, this article cannot fully present these primary empirical data, but the aforementioned empirical materials form the basis for analyzing Shanghai's urban renewal system and its implementation in this section and the next.

### **2.1 Legal Urban Renewal Model: Land Banking and Redevelopment**

In 2002, the Ministry of Land and Resources issued the "Regulations on the Tender, Auction, and Listing of State-Owned Land Use Rights" (Ministry of Land and Resources Order No. 11), mandating that "various types of operational land such as commercial, tourism, entertainment, and commodity housing must be transferred through tender, auction, or listing." Previously, the legally permitted channel of negotiated transfers led to a large amount of state-owned land being redeveloped at too low a price, and the issuance of this document aimed to address corruption and the loss of state-owned assets caused by negotiated transfers <sup>[36]</sup>.

Operational land must be transferred through tender, auction, or listing, meaning that urban renewal can no longer be completed through negotiated supplementary transfer payments. This document established the only legal channel for operational land urban renewal at the national

level, where local governments complete the storage of state-owned land and then push the land to the market through the legal channels of tender, auction, or listing, with market entities completing the redevelopment. The establishment of this formal rule legally solidified the monopolistic position of local governments as the leaders of urban renewal and the sole suppliers of land<sup>[37]</sup>. Additionally, on an economic level, this formal rule aims to ensure that land value appreciation is acquired by local governments, who are, in principle, the owners of state-owned land. In Shanghai, the storage and transfer of land are completed by district-level governments, which can be considered the actual owners of state-owned land in Shanghai as they are the entities signing state-owned land use right grant contracts with land users.

## **2.2 Formal “Informal Renewal”: The “Three Unchanged” Policy**

The document issued in March 2008, "Opinions of the General Office of the State Council on Implementing Several Policies and Measures for Accelerating the Development of the Service Industry" (Guobanfa [2008] No. 11), marked the establishment of a new formal rule. To promote economic transformation and development, this document allowed state-owned land users to utilize existing properties in categories such as industrial, storage, and traditional commercial buildings to establish modern service industries, with the officially registered land use type remaining unchanged temporarily. Following the central government's directive, the Shanghai Municipal Government released "Several Opinions on Promoting the Economical and Intensive Use of Industrial Land to Accelerate the Development of Modern Service Industries" (Hufubanfa [2008] No. 37), requiring that such projects must be recognized by the industrial department before implementation. Shanghai's policy in this regard introduced three principles: the real estate rights holder remains unchanged, the building structure remains unchanged, and the nature of land use remains unchanged, commonly referred to as the “Three Unchanged” policy.

Shanghai's urban renewal formal rules present two parallel legal channels for renewal: land banking and retransfer, and the “Three Unchanged” policy. In the legally defined “Three Unchanged” renewal, the registered land use does not change, but there is a difference between the actual use and the legally registered use, making it considered an “informal renewal.” However, this type of informal renewal receives formal rule permission, and land users do not need to pay land costs for the benefits brought by the change in actual use. It is worth noting that the above policy documents are normative documents, and according to the "Legislation Law of the People's Republic of China," unless specifically marked, such documents generally have a validity period of no more than five years.

## **2.3 Exploration Facing the Era of Renewal: Formal Renewal Led by Rights Holders**

In 2014, the Shanghai Municipal Government established the principle of negative growth in construction land use, officially shifting Shanghai's urban development from an era of expansion to one of stock optimization<sup>[3]</sup>. This move received high recognition and support from central ministries. To implement policy intentions and encourage stock renewal, Shanghai's Planning and Land Bureau has issued a series of documents since 2014, including "Measures for Revitalizing Stock Industrial Land in Shanghai (Trial)" (Hufubanfa [2014] No. 25), "Shanghai Urban Renewal Implementation Measures" (Hufufa [2015] No. 20), and "Detailed Rules for the Implementation of Urban Renewal Planning and Land Use in Shanghai (Trial)" (Huguituzixiang [2015] No. 620).

These policies provided new channels for the renewal of industrial and commercial office lands. The introduction of these policies was also supported at the national level by corresponding policies, as detailed in the "Regulations on Economical and Intensive Use of Land" (Ministry of Land and Resources of the People's Republic of China Order No. 61). The new policy allows the rights holders of stock industrial land (Category M) and public facility land (Category C) to develop non-residential commercial purposes on their own through supplementing the land price, according to planned uses. According to Document No. 25 of 2014, updates to scattered stock industrial land should be developed according to planned capacity, requiring a contribution of at least 10% of the construction land or 15% of the operational property rights for public welfare purposes without compensation. Document No. 620 of 2015 stipulates that the increased commercial office building area is calculated based on multiples of the provided various public elements, meaning that the increase in commercial area is exchanged for contributions to public elements. Furthermore, to ensure development quality, the new policy imposes high requirements on the full lifecycle management of construction projects, including a higher self-retention ratio, which must be included in the re-signed land grant contracts.

The stock land price supplement model allows for changes in land use nature and the re-signing of land grant contracts, representing a completely formal renewal model that does not require district governments to bankroll and publicly auction the land again. Interviewees indicated that the logic behind the municipal government opening this new channel is to encourage right holders to initiate renewal through adjusting the profit distribution mechanism financially. In the renewal model of banking and reselling, negotiating about banking is a major difficulty, as original land right holders and district governments compete over the land value increase brought by changes in use, making it hard to reach an agreement. The new renewal channel aims to provide right holders with opportunities to develop independently and capture land value increases. Additionally, stock land price supplements do not require open market competition and are transacted directly based on third-party valuations, avoiding premiums caused by competition and saving costs.

### **3 Policy Implementation and Actual Institutional Evolution: A Gradual Institutional Change Theory Perspective**

#### **3.1 2002—2014: Institutional Conversion**

##### **3.1.1 Participants and Their Roles**

The policy of 2002 established the formal rules for urban renewal at the national level (namely, banking and reselling), marking the beginning stage of existing rules. The creator of these existing rules was the central government; the municipal government then introduced corresponding local regulations, acting as the establisher of local-level rules and supporter of national rules. In contrast, challengers of the existing rules were some land right holders and district-level governments. As market entities, the primary goal of land right holders is to maximize benefits; whereas district governments, as implementers of urban renewal-related rules, have more complex behavioral goals, including implementing higher-level policies, promoting local economic development, increasing tax revenue and job opportunities, and providing public service facilities.

### **3.1.2 Characteristics of the Political Environment and Target System**

According to the gradual institutional change analysis framework introduced in Section 1.2, this paper judges two factors determining institutional change. On one hand, the urban renewal system itself grants district governments in Shanghai considerable discretionary power, including decisions on land banking and transferring, and enforcement of land grant contracts. On the other hand, according to general feedback from interviewees, as both the creator and defender of existing rules, the municipal government, considering factors such as economic development, did not show clear regulatory intent nor lacked effective means to prohibit informal development behavior; central government intervention and supervision over such local affairs were also relatively limited. Therefore, during this stage, defenders of existing rules did not possess strong capabilities to veto institutional changes. With the above values of the two key variables (high level of discretion, low capability of defenders of existing rules to veto changes), the corresponding gradual institutional change mode is precisely "conversion".

### **3.1.3 Participants' Behavior and Consequences**

Some scholars<sup>[36]</sup> have found that even before the introduction of the Three No Changes Policy in 2008, there were already land use rights holders of industrial land in Shanghai who changed the use of buildings without formally changing the nature of the land use and profited from it, and this situation was also confirmed by the author in his research. Staff from the Shanghai and district governments said in interviews that the district governments do not strictly regulate such informal or even illegal development behavior, precisely because the district governments can also benefit from it, including promoting industrial transformation, increasing tax revenue, and providing jobs. Utilizing their own discretionary power and the regulatory weaknesses of higher levels of government, district governments, in complicity with some market players, have purposefully "transformed" the formal urban renewal system so that informal renewal has become a permissible form of informal regulation by multiple parties.

At the same time, the central government and municipal government, as defenders of the existing rules, introduced the "Three Identities" policy as a compromise and expedient measure to promote industrial transformation and economic development. This policy incorporated informal rules into the formal framework, providing a legal basis for informal updates. The "Three Identities" policy should have expired after five years. However, research found that after the policy expired, there were still land users who carried out "Three Identities" updates and received support from the district governments. Moreover, according to respondents, changes in property ownership, building structure, and floor area during the development of "Three Identities" projects were relatively common. These development behaviors that broke through policy requirements also received tacit approval from the district governments. This indicates that under the legal situation of dual channels for urban renewal, district governments and market entities still purposefully utilize their discretionary power to transform systems through institutional "transformation," and the actual urban renewal system still shows discrepancies with the formal rules.

## **3.2 2014—2021: Layering**

### **3.2.1 Interested Parties and Their Roles**

In 2014, the Shanghai municipal government opened up a formal renewal channel dominated by land use right holders, introducing new rules with the intent to transform the urban renewal system at that time. The system at the beginning of this stage was one where both formal and informal rules coexisted. At this stage, the municipal government became a challenger of existing rules, aiming to promote law-based urban renewal through the introduction of new rules, revitalize stock land uses, and create a new local urban renewal situation. Some land use right holders became supporters of the existing informal rules, attempting to continue obtaining benefits through non-standard renewals. Therefore, unlike the previous stage, the roles of the defenders and challengers of the existing rules were reversed between this stage. However, it is worth noting that during this stage, the roles and fundamental goals of district governments exhibited more complex characteristics. On one hand, district governments still needed to consider issues such as enhancing tax revenue, stimulating market entity enthusiasm, and creating a favorable business environment, which led to relatively relaxed management of some developers' behaviors; on the other hand, districts also had to follow the guidance of higher-level governments in governing urban development behaviors, actively promoting the implementation of new policies.

### **3.2.2 Political Environment Characteristics and Target System Characteristics**

During this new stage where the roles of the participants changed, the distribution of power between the defenders and challengers of the existing rules changed, thus leading to a corresponding change in the pattern of institutional change. According to the analytical framework for gradual institutional change introduced in Section 1.2, this article made a new round of judgments on the two factors determining institutional changes. Regarding the freedom of discretionary power, on one hand, respondents from district-level governments stated that due to the clear determination displayed by the municipal government in promoting a transformation in the mode of urban development, districts as subordinate agencies needed to strengthen the implementation of the municipal government's policy directions in project management, thus reducing the discretionary space in development management decisions; on the other hand, since new policies put forward more specific requirements for urban renewal and its supervision, including incorporating elements such as self-holding ratios and public welfare contributions into land transfer contracts, districts also had less room for purposefully changing formal rules in project management. As for the ability of the defenders of the existing rules to veto changes, market entities and district governments, as defenders of informal rules, still had the ability to maintain the continued execution of non-standard urban renewal systems, especially as certain non-standard development behaviors had become de facto realities. Under the above values of the two key variables (low level of discretionary power, high ability of defenders of the existing rules to veto changes), the corresponding institutional change pattern became layered institutional change.

### **3.2.3 Interested Parties' Behaviors and Consequences**

Respondents generally reflected that a series of incentive policies issued in 2014 did not have particularly significant effects, and market entities reacted quite tepidly to the stock replenishment and price adjustment renewal channel. Especially for commercial and office land policies, due to the high requirements for capacity enhancement in acquisition, they were not

attractive to land use right holders financially. Respondents believed that when stabilizing land market order and ensuring that land transfer takes place through open and transparent competitive channels are considered, the municipal government is relatively cautious when formulating policies, requiring that the main body for stock replenishment and price adjustment must be the original land use right holder, while a large amount of land to be renewed is controlled by industrial enterprises, which may not necessarily have sufficient financial capabilities and land development experience to support completing replenishment prices and urban renewal. The policy target group and the qualifications required by the policy for market entities showed a mismatch. Therefore, fewer projects were completed through the new channel, not meeting the expectations of policy makers. In this stage, the non-standard "three unchanged" renewal channel still existed. After 2014, there were still some market entities that carried out renewals through this channel, and breakthrough development behaviors that exceeded policy requirements also did not completely stop. Taking the Huoluo Baodi area's transformation project as an example, its east area renovation started at the beginning of 2015 with a "three unchanged" transformation form, and during the transformation process, the housing structure also underwent significant changes, but the Yangpu District government did not prevent this renewal plan. In this case, replenishing prices to complete formal renewal seemed even less profitable.

However, the introduction of new rules was not unsuccessful, and a portion of industrial and commercial lands were updated through stock replenishment and price adjustment. Some respondents stated that a considerable number of stock replenishment and price adjustment projects were implemented through top-down task-like interventions, so those that could complete replenishment and price adjustment updates were mostly state-owned enterprises with strong financial capabilities and could be administratively interfered with. District governments were also compressed to a certain extent in their discretionary space due to changes in urban governance orientation and increased supervision, and pushed forward the implementation of the stock replenishment and price adjustment policy in some projects. The new policy introduced and its implementation were not purposefully changed in these three industrial and commercial land renewal projects investigated by this article. The promotion process of these projects also showed that the municipal government served as the initiator of the new rule and the district governments as the implementers of newly compressed discretionary space played a decisive role. Taking Taopu Smart City as an example, the municipal state-owned enterprise Lingang Group undertook the mission assigned by the municipal government. As one of the main land use right holders in that area, it carried out strategic cooperation with the Putuo District government, using a combination of stock replenishment and price adjustment and open bidding to complete the redevelopment of four initial plots in Taopu Smart City with a relatively large financial burden. While the projects initiated by property rights holders such as Baosteel Group and Shanghai Biochemical Products Institute initially planned to complete renewals through the "three unchanged" approach, both the Yangpu District and Changning District governments initially adopted a tacit attitude. However, under the continuous advocacy of the municipal government to revitalize stock and legally update, both district governments gradually began negotiations with land use right holders in project management processes and promoted two projects to complete formal renewal through stock replenishment

and price adjustment approaches. Overall, in this stage, Shanghai's urban renewal system presented a situation where existing stock storage and redevelopment models and "three unchanged" models were retained, coexisting with top-down gradually introduced and promoted stock replenishment and price adjustment models. And the evolution of the system occurred through the "layering" model.

#### **4. Conclusions and Policy Implications: Policy Formulation Methods Guided by the Theory of Incremental Institutional Change**

The analysis in the previous section reveals that policy implementation is a focal point that must be addressed when analyzing urban governance issues in China. Within China's multi-tiered government structure, although the central government exerts strong top-down control, each level of government is endowed with a certain degree of autonomy and responsibilities. As held by historical institutionalism theory, under this overall institutional arrangement, there exists significant room for "non-compliance." Many meso-level institutions, including urban renewal systems, are progressively and locally altered by challengers to existing rules amidst conflicting interests. This paper observes two modes of gradual change: transformation and layering, operating within a system that mixes formal and informal rules. Moreover, such incremental changes are not necessarily bottom-up. Given the high stability of institutions that resist change, many top-down institutional innovations can only modify existing rules incrementally. In the field of urban renewal, the consequences of these dynamics include the low quality of development resulting from informal renewal activities, and the inability to effectively capture land value appreciation. The effectiveness of new policies attempting to address these issues is limited, being implemented only partially and incrementally. After 2021, Shanghai continued to introduce new urban renewal policies, but whether these policies can effectively resolve the various issues mentioned above remains critically dependent on their implementation.

This situation is not irreversible, and there is still room for optimization at the policy-making level. The theory of incremental institutional change serves as a practical guiding framework. This theory categorizes participants into two roles: defenders and challengers of existing rules, analyzing the power bestowed upon them. Two key variables determine the pattern of institutional change: one is the power granted to participants by the overall political environment, which determines their ability to prevent institutional changes; the other is the power granted by the current system itself, which determines their ability to exercise discretion based on personal preferences during rule enforcement. By recognizing these two points and clarifying the demands of all parties involved, it is possible to analyze the patterns of institutional transition. This method can not only theoretically explain past institutional evolution but also be used to deduce and evaluate possible future institutional changes.

Therefore, the theory of incremental institutional change provides the following guidance and insights for policy-making. First, policy formulation should focus on research, which should clarify the following points: ① the relevant parties and their interest preferences; ② the power each party has to intervene in or resist policy changes within the overall institutional environment; ③ the discretionary powers granted to each party by existing and new policies. Second, based on thorough research, pre-implementation assessments of policies should be conducted to analyze

how each party might act based on their interest preferences and autonomous powers during the implementation of new policies, and to deduce the possible consequences. Only through such an approach can potential obstacles encountered by new policies be identified beforehand, allowing for adjustments to the policies to avoid or clear these hurdles. This helps prevent the failure of new rules or their gradual alteration by other participants, thus avoiding outcomes where policy goals are not achieved.

Currently, as Chinese cities enter the era of stock renewal, urban governance will inevitably face increasingly complex situations with intricate power relationships and interest demands. Under these circumstances, I call on policymakers to adopt more rigorous and scientific policy-making methods, delve into practical fields, and conduct thorough research and assessments. Only then can truly effective and promotable policies be introduced in an increasingly complex environment, thereby addressing the challenges faced by urban development.

#### Note

① Since the gradual institutional evolution during the research period mainly involves industrial and commercial office renovation projects, the residential renovation project of Zhao Shang Waitan Xi will not be included in the subsequent analysis.

#### References

- [1] Yin Weina, Gu Ying, Shi Lu. Urban Renewal Paths of Central Cities in the Yangtze River Delta from a Governance Perspective: Based on Practices in Shanghai, Hangzhou, Nanjing, Hefei, etc. [J]. *Urban Planning Review*, 2023(3): 85-91.
- [2] Liang Chen and Zhuo Jian. Focusing on Public Elements: Issues, Challenges, and Policy Discussions on Urban Renewal in Shanghai [J]. *Urban Planning Review*, 2019(S1): 142-149.
- [3] Zhou Jian, Yan Shuxin, Wan Zhiying. Thoughts on Improving the Urban Renewal System in Shanghai [J]. *Urban Planning Review*, 2019(1): 20-26.
- [4] Yan Shuxin, Wan Zhiying, Li Jiaman. Urban Renewal Action: Connotation, Logic, and System Framework [J]. *Urban Planning Review*, 2023(1): 62-68.
- [5] Zhao Wanming, Li Zhen, Li Yunyan. Review and Prospect of Contemporary Chinese Urban Renewal Research: A Collaborative Consideration of Institutional Supply and Property Rights Challenges [J]. *Urban Planning Review*, 2021(5): 92-100.
- [6] FIORETOS O, FALLETI T G, SHEINGATE A. Historical institutionalism in political science[M]// FIORETOS O, FALLETI T G, SHEINGATE A. *The Oxford handbook of historical institutionalism*. Oxford University Press, 2016.
- [7] HALLPA, TAYLOR R. Political science and the three new institutionalisms[J]. *Political Studies*, 1996, 44(5): 936-957.
- [8] MOULAERT F. Institutional economics and planning theory: a partnership between ostriches?[J]. *Planning Theory*, 2005, 4(1): 21-32.
- [9] SORENSEN A. New institutionalism and planning theory[M]//MADANIPOUR A, GUNDER M, WATSON V. *Routledge handbook of planning theory*. Routledge, 2017.
- [10] LAI L WC. Neo-institutional economics and planning theory[J]. *Planning Theory*, 2005, 4(1): 7-19.
- [11] HAY C, WINCOTT D. Structure, agency and historical institutionalism[J]. *Political Studies*, 1998,

46(5): 951–957.

[12] SORENSEN A. Taking path dependence seriously: an historical institutionalist research agenda in planning history[J]. *Planning Perspectives*, 2015, 30(1): 17–38.

[13] PIERSON P. Increasing returns, path dependence, and the study of politics[J]. *American Political Science Review*, 2000, 94(2): 251–251.

[14] PIERSON P. *Politics in time: history, institutions, and social analysis* [M]. Princeton University Press, 2004.

[15] THELEN K. Historical institutionalism in comparative politics[J]. *Annual Review of Political Science*, 1999, 2(1): 369-404.

[16] MAHONEY, J. Path dependence in historical sociology[J]. *Theory and Society*, 2000, 29(4): 507–548.

[17] COLLIER R B, COLLIER D. *Shaping the political arena: critical junctures, the labor movement, and regime dynamics in Latin America*[M]. Princeton University Press, 1991.

[18] CAPOCCIA G. *Critical junctures*[M]//FIORITOS O, FALLETI T G, SHEINGATE A. *The oxford handbook of historical institutionalism*. Oxford University Press, 2016.

[19] MAHONEY J, THELEN K. *A theory of gradual institutional change* [M]//MAHONEY J, THELEN K, *Explaining institutional change: ambiguity, agency, and power*. Cambridge University Press, 2010.

[20] THELEN K. *How institutions evolve: insights from comparative historical analysis*[M]//MAHONEY J, RUESCHEMEYER D. *Comparative historical analysis in the social sciences*. Cambridge University Press, 2003.

[21] TAYLOR, Z. Rethinking planning culture: a new institutionalist approach[J]. *Town Planning Review*, 2013, 84(6): 683–702.

[22] JIA Y, MORRISON N, SIELKER F. Delivering common property in Chinese contractual communities: law, power and practice[J]. *Urban Studies*, 2023, 60(16): 3272-3293.

[23] MORRISON N. Playing by the rules? new institutionalism, path dependency and informal settlements in Sub-Saharan Africa[J]. *Environment and Planning A: Economy and Space*, 2017, 49(11): 2558–2577.

[24] SORENSEN A. Uneven processes of institutional change: path dependence, scale and the contested regulation of urban development in Japan[J]. *International Journal of Urban and Regional Research*, 2011, 35(4):712–734.

[25] Luo Zhendong. New Perspectives on Spatial Planning Research: The Rise and Application of Historical Institutionalism [J]. *International Urban Planning*, 2020, 35(4): 1-4.

[26] Hou Li. Methods for Studying the History of Chinese Planning through Historical Institutionalism [J]. *International Urban Planning*, 2020, 35(4): 50-54.

[27] Cao Kang, Zhang Yi. Spatial Strategic Planning and China's Planning System: Institutional Change and Key Nodes [J]. *International Urban Planning*, 2020, 35(4): 44-49.

[28] LI J, BURGESS G, SIELKER F. Political mobilisation and institutional layering in urban regeneration: transformation of land redevelopment governance in China[J]. *Cities*, 2023, 141, 104508.

[29] PIERSON P. *Power and path dependence*[M]//MAHONEY J, THELEN K. *Advances in comparative-historical analysis*. Cambridge University Press, 2015.

[30] HO P. A theorem on dynamic disequilibrium: debunking path dependence and equilibrium via China's urban property (1949–1998)[J]. *Land Use Policy*, 2018, 79: 863–875.

[31] LANDRY P F. *Decentralized authoritarianism in China: the communist party's control of local*

elites in the post-Mao era[M]. Cambridge University Press, 2008.

[32] Zhou Li'an. The Administrative Subcontracting System [J]. *Society*, 2014, 34(6): 1-38.

[33] ZHOU X. The logic of governance in China: an organizational approach[M]. Cambridge University Press, 2022.

[34] BENNETT A, CHECKEL J T. Process tracing[M]. Cambridge University Press, 2015.

[35] MAHONEY J, MOHAMEDALIK, NGUYEN C. Causality and time in historical institutionalism[M]// FIORETOS O, FALLETTI T G, SHEINGATE A. The Oxford handbook of historical institutionalism. Oxford University Press, 2016.

[36] Feng Li, Tang Zilai. Industrial Land Renewal from the Perspective of Property Rights System: A Case Study of Hongkou District, Shanghai[J]. *Urban Planning Forum*, 2013(5):23-29.

[37] XU N. What gave rise to China's land finance?[J]. *Land Use Policy*, 2019, 87: 104015.