

# Local Governments and Real Estate Developers: Divergent Inclinations in Land Transfer Methods in China\*

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## Abstract

This paper examines the land use rights market in China, providing insights into the economic incentives behind the observed distribution of the three legally permitted methods, *Zhaobiao*, *Paimai*, and *Guapai*, in land use rights transfers. Using nationwide data on residential land transfers with real estate developers as buyers from 2007 to 2024, we infer the respective inclinations of local governments and developers toward these transfer methods from observed outcomes. To support these findings theoretically, we construct a dynamic game with incomplete information, which generates equilibrium payoff rankings consistent with the empirical results for most parameter configurations. Overall, the observed distribution of land transfer methods reflects the interaction between the respective inclinations of governments and developers, rather than the inclination of governments alone, as emphasized in the existing literature.

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