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How Does Land Use Policy Affect Local Labor Market and Housing

This paper examines the impact of land use policy on the local labor market and housing market in China. There are two primary land use purposes: residential land and productive land. We found that the more land the Chinese local government grants for productive use, the lower the regional unemployment rates, the higher the regional wages, and the higher the housing prices. We then develop a theoretical model to explore the mechanism behind the aforementioned empirical facts. Higher productive land attracts more firms and creates more jobs but reduces the land available for building houses. The combination of rising housing demand and reducing housing supply brings up the housing prices in highly productive land areas.

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