

The Application and Enlightenment of Western New Institutional Economics Theory in Urban Planning

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Abstract: The purpose of this paper is to explore the application and enlightenment of western new institutional economics theory in urban planning. Through the analysis of the basic concepts and core viewpoints of new institutional economics, combined with the economic factors in urban planning, this study deeply discusses the application of new institutional economics in urban land use, infrastructure construction and industrial layout. Through the analysis of actual cases, the paper expounds the specific application of new institutional economics in urban planning. However, at the same time, it also points out the limitations that the new institutional economics may face in urban planning. Generally speaking, the new institutional economics provides a new theoretical perspective and method for urban planning, which can better guide urban development and planning.

Keywords: New Institutional Economics; Urban Planning; Economic Factors; Market And System; Contract Theory

Introduction

As an important means to guide urban sustainable development, urban planning involves complex social, economic and environmental factors. In recent years, the western theory of new institutional economics has gradually attracted attention in the field of urban planning, which provides new ideas and methods for the analysis of economic problems in urban planning. New institutional economics emphasizes the influence of institutions on market behavior, the role of contracts and contracts in standardizing economic behavior, and the effective interaction between the government and the market. Through the case analysis of the application of new institutional economics in urban planning, this paper will explore its enlightenment and limitations to the practice of urban planning.

1. A Summary of the Theory of Western New Institutional Economics

1.1 The basic concepts of new institutional economics

New institutional economics is a branch of economics that emerged in the late 20th century, which emphasizes that market behavior is not only driven by the price mechanism, but also restricted and influenced by the institutional environment. Institution can be understood as a series of rules, conventions, contracts and so on, which play a guiding, restricting and coordinating role in economic activities. The core of new institutional economics is to make an in-depth study of how institutions affect the behavior of economic subjects, thus affecting economic phenomena such as resource allocation and output distribution.

1.2 The core point of view of new institutional economics

1.2.1 The interaction between market and non-market factors

New institutional economics emphasizes the interaction between market and non-market factors. Although the market is an important mechanism for the allocation of resources, the market itself also needs certain institutional arrangements to ensure that the transaction is fair, transparent and effective. The system not only affects the operation of the market, but also forms a basis of trust among market participants and promotes the smooth progress of economic activities.

1.2.2 The influence of institutional arrangements on economic behavior.

New institutional economics believes that institutional arrangements have an important impact on the behavior and decision-making of economic subjects. Different institutional arrangements may lead to different behavior patterns, thus affecting market competition, coopera-

tion, innovation and so on. For example, the design of intellectual property rights system will affect the innovation power of enterprises, and the setting of land property rights system will affect land use and circulation.^[1]

1.2.3 Contract theory and transaction cost analysis.

In the field of urban planning, the theoretical framework of new institutional economics provides us with a new perspective to understand the economic phenomena in urban development. By introducing the analysis of market, system and contract into urban planning, we can better explain the problems of urban land use, infrastructure construction, industrial layout and so on. New institutional economics brings an institutionalized way of thinking for urban planning, which can reveal the institutional factors behind economic behavior and provide useful reference for planning practice.

2. Economic factors and New Institutional Economics in Urban Planning

2.1 The economic dimension of urban planning

Urban land use involves the allocation and allocation of limited land resources. The choice of different land use involves multiple factors such as market demand, the will of developers and government planning. New institutional economics can analyze the problem of information asymmetry in the land market and the role and influence of the government in the process of land transfer. Urban infrastructure construction is an important foundation to support urban economic development, which involves the supply of public goods and the participation of the private sector.

New institutional economics can help to analyze the contractual relationship between the government and the private sector in infrastructure cooperation, and how to reduce transaction costs and promote cooperation. Urban industrial structure and spatial layout directly affect the economic vitality and development direction of the city. The new institutional economics can explain the agglomeration of different industries in the city, explore the contractual relationship and cooperation model behind it, and the impact of industrial agglomeration on urban planning.

2.2 New institutional economics to analyze the economic problems in urban planning.

Urban planning involves multiple stakeholders, and information asymmetry may lead to the emergence of information asymmetry, which in turn affects the quality of decision-making. New institutional economics emphasizes how incomplete and asymmetric information affects cooperation and transaction, which provides theoretical guidance for solving information problems in urban planning. The relationship between parties in urban planning often needs to be regulated by contracts and contracts. The contract theory of new institutional economics can analyze the role of contract in standardizing behavior and reducing risk, and provide an analytical framework for contract arrangement in urban planning. Urban planning involves the game of power and interests among the government, developers, the public and other stakeholders. New institutional economics can analyze the game relationship between different stakeholders, reveal the benefit distribution and power struggle in the planning process, and provide insight for planning decision-making.^[2]

2.3 A case study on the Application of New Institutional Economics in Urban Planning

2.3.1 Adjustment of the system for the transfer of urban land use rights.

① The role of the government in the urban land market

The transfer of urban land use right involves the role of the government in the land market. In the traditional concept in the past, the government often played an important role in the process of land transfer. However, with the evolution of the times and economic changes, this role is undergoing a fundamental adjustment to cope with the increasingly complex market demand and institutional challenges. As is widely recognized, government intervention may lead to a series of problems, such as information asymmetry, power rent-seeking and so on. Therefore, new ways of thinking and institutional design become crucial in building a more transparent, efficient and fair land market.

The viewpoint of new institutional economics can help us to analyze the role of the government in the land market more deeply, and

how to solve the problem of information asymmetry through innovative institutional design. By introducing the theory of modern economics, we can better understand the balance of interests and the change of role of the government in the process of land transfer. New institutional economics can not only help us to examine the role of the government in the market, but also urge us to rethink the relationship between the government and the market, and how to achieve the long-term sustainable development of the market economy through reasonable institutional arrangements.

② The enlightenment of new institutional economics to land transfer system

New institutional economics emphasizes the far-reaching influence of contract and system on economic behavior, which provides useful inspiration for the design of land transfer system. Through an in-depth study of the key issues such as the completeness, transparency and implementation of the contract, we can better shape the land transfer system, so as to reduce transaction costs and improve the overall efficiency and fairness of the land market. The theoretical framework provided by the new institutional economics can help us to find innovative institutional design methods to meet the challenges brought by market change and development.^[3]

In practice, we can learn from the principles of new institutional economics to optimize the land transfer system by establishing more transparent bidding procedures, standardizing the transfer process of land rights and interests and perfecting land transaction contracts. In addition, by strengthening the government supervision and market monitoring mechanism, we can better prevent the problems of information asymmetry and power abuse, so as to build a more stable and sustainable urban land market.

2.3.2 *Urban infrastructure construction and private sector participation*

① The role of the private sector in urban infrastructure

Urban infrastructure construction is a complex process of multi-level cooperation, which usually requires close cooperation between the government and the private sector. In this collaboration, the private sector plays an indispensable role, and they play an important role in all aspects of infrastructure construction. From initial planning and design to construction and maintenance, the private sector contributes technology, resources and expertise to the sustainable development of the city.

Private sector participation in infrastructure also poses a series of challenges, such as contractual arrangements and risk-sharing. These challenges need to be solved by ingenious institutional design and coordination mechanisms. In this regard, the new institutional economics provides us with useful insight. Through an in-depth study of market mechanisms, information asymmetry and power relations, we can better understand how the private sector plays a role in infrastructure construction and how to motivate and guide their participation through innovative contract design.

② The application of contract theory in urban infrastructure cooperation

Contract theory has far-reaching application value in urban infrastructure cooperation. The core of cooperation is to clarify the rights and obligations of all parties, and the contract provides a strong framework for this. Through the well-designed contract, the behavior of all parties can be regulated, the uncertainty in cooperation can be reduced, and the sustainability and efficiency of cooperation can be enhanced. The viewpoint of new institutional economics has important guiding significance in this field. It can not only help us explore the appropriate contract structure, but also guide the government and the private sector to complement each other in infrastructure construction, so as to achieve more ideal results. Through an in-depth analysis of the completeness, enforcement mechanism and incentive mechanism of the contract, we can promote the cooperation of urban infrastructure under the background of market economy and achieve the sustainable prosperity of urban development.^[4]

2.3.3 *Urban industrial agglomeration and planning optimization*

① The economic motivation of urban industrial agglomeration

Urban industrial agglomeration is not only the catalyst of economic growth, but also the key element of building a dynamic innovation ecosystem. In the process of urban prosperity, the agglomeration of different industries is intertwined, forming a unique economic scale effect and cooperation opportunities. These agglomeration phenomena cover many complex economic drivers, such as the mutual promotion of markets, the possibility of cross-border cooperation and the cross-domain dissemination of knowledge. As a diversified and active economy, the phenomenon of industrial agglomeration in cities is the intertwined result of multiple factors, showing multi-level rhythm and interaction.

In this context, new institutional economics provides a more in-depth analysis approach. By examining the institutional arrangement of the market, the transmission mechanism of information and the relationship network among enterprises, we can better explain the motivation of different industrial agglomeration. This not only helps to reveal the complexity of industrial agglomeration, but also provides powerful experiences and lessons for urban planning and development.

② The explanation and enlightenment of new institutional economics to industrial agglomeration

New institutional economics plays an important role in analyzing the institutional factors in industrial agglomeration. We can deeply study the protection of intellectual property rights, the function of industrial associations and the guiding role of government policies to explore how these systems affect industrial cooperation and competition. This analysis helps us better understand why some industries are booming in certain cities and relatively declining in others. Through the explanation of industrial agglomeration, we can provide targeted guidance for urban planning. Through an in-depth understanding of the needs and characteristics of different industries in a specific environment, urban planners can optimize the industrial layout through appropriate institutional design. For example, the agglomeration of high-tech industries can strengthen the protection of intellectual property rights; for creative industries, cross-border cooperation and cultural exchanges can be encouraged.

3. The Enlightenment of New Institutional Economics to Urban Planning

New institutional economics emphasizes the influence of institutions on market behavior, which provides inspiration for the guidance of the market in urban planning. Standardizing the market environment and improving information transparency can reduce information asymmetry and imperfect competition and promote rational resource allocation and land use. Urban planning involves multi-party cooperation and balance of interests. The guidance of contract theory of new institutional economics can help planners design more effective contracts and contracts to ensure that the rights and interests of all parties are protected, so as to reduce the risk of cooperation and promote the realization of planning goals. The new institutional economics reminds us of the relationship between the government and the market. The government is not only a planner, but also a planner. Through reasonable government intervention and supervision, we can guide the market behavior and achieve the win-win situation of planning goal and market efficiency.

4. Conclusion

Through the case study of urban land use, infrastructure construction and industrial layout, we can see that the new institutional economics provides a useful theoretical framework and guidance for urban planning. However, at the same time, we also need to recognize the limitations that the new institutional economics may encounter in urban planning, such as the neglect of non-economic factors, the limitations of the application of institutional theory and the difficulties in implementation. Therefore, in the actual practice of urban planning, we should comprehensively consider a variety of factors and seek more comprehensive solutions to promote the sustainable development of the city. The concept of new institutional economics will continue to provide useful reference and guidance for urban planning and contribute to the construction of a more prosperous and harmonious urban environment.

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