Title: Land Conversion and Misallocation across Cities in China

Abstract: The Chinese government has been using quotas to control the amount of farmland that can be converted for urban uses in different cities every year. Using a sample of more than 1.5 million land-lease transactions during 2007-2016, we document facts on land conversion for urban development in China. We present evidence that land conversion quotas have been increasingly misallocated across cities in that a growing share of land conversion is occurring in less productive cities. A city-level production function is estimated for counterfactual analysis. Based on estimated parameters, we calculate the potential gains from reallocating land quotas to regions or cities where urban land is more productive. We assess the economic losses from misallocation of land across cities in China and discuss policy options to improve efficiency.