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Wu, Y.-T. (2026) Embryonic financialization: the privatization of Military Dependents' Villages in Taiwan. *Housing Studies*. ISSN: 0267-3037

<https://doi.org/10.1080/02673037.2026.2644945>

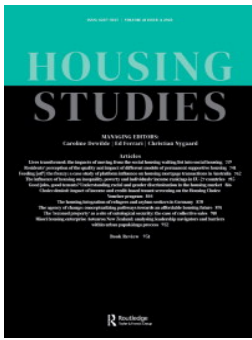
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To cite this article: Yu-Tung Wu (23 Mar 2026): Embryonic financialization: the privatization of Military Dependents' Villages in Taiwan, *Housing Studies*, DOI: [10.1080/02673037.2026.2644945](https://doi.org/10.1080/02673037.2026.2644945)

To link to this article: <https://doi.org/10.1080/02673037.2026.2644945>



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Published online: 23 Mar 2026.



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Embryonic financialization: the privatization of Military Dependents' Villages in Taiwan

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ABSTRACT

Much of the scholarly attention to financialization remains focused on the period surrounding the Global Financial Crisis. This paper examines embryonic financialization and the state's role in shaping it through the privatization of Military Dependents' Villages (MDVs), tracing how financial mechanisms were incorporated into housing governance to illuminate the variegation of financialization. These settlements for post-war Chinese immigrants underwent demolition, relocation, reconstruction, and privatization from the late 1970s. Drawing on secondary documentary analysis, semi-structured interviews, and spatial mapping, the study shows how political imperatives, institutional constraints, and publicly steered financial channels converged to convert state-owned housing and land into privatized assets. The state acted as the architect, deploying financial instruments to scale up privatization and secure implementation funds. Embedded mechanisms and calculative decision-making tied MDV households to debt and shaped urban socio-spatial development. Historicizing MDVs advances understanding of the local practices of financialization, reveals how state roles vary across historical and institutional contexts, and highlights the temporal dimensions of financialization.

ARTICLE HISTORY

Received 16 October

2024



Accepted 3 March 2026

KEYWORDS

Financialization; Military Dependents' Village; housing privatization; Taiwan; asset-based welfare

1. Introduction

Academic literature on financialization has expanded over the past two decades, especially following the Global Financial Crisis (GFC) (Christophers, 2015). Krippner (2005) defines *financialization* as a shift in capital accumulation from production and trade toward financial channels. Wu *et al.* (2020: 1485) extend this to include the creation and deployment of property-based financial instruments. Its logics and practices have permeated various domains, spanning state policy, the built environment, and everyday life. Accordingly, this study adopts Aalbers' (2016: 2) conceptualization of financialization as 'the increasing dominance of financial actors, markets, practices, measurements, and narratives at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states, and households.'

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The diversity and heterogeneity of financialization processes across different contexts have become a central focus of international scholarly debate (Aalbers, 2017). Because regulatory adjustments, institutional restructuring, and the formulation and implementation of policy depend on substantial political authority and state intervention (Gotham, 2006; Weber, 2010), many studies have examined the role and actions of the state to understand variegated financialization. However, much of the relevant research adopts a results-oriented analytical perspective, focusing primarily on recent patterns and subsequent effects (see O'Brien, O'Neill & Pike, 2019; O'Neill, 2019). What remains unclear is why and how financialization was initially selected and unfolded in particular ways, and how the state shaped these differentiated trajectories.

This study advocates an analytical focus on embryonic financialization, returning attention to the moment when financial channels and instruments first became integrated into everyday life and state governance, to explore why financialization was realized in specific ways. By examining state actions and interventions during this formative stage, the study reveals the locally embedded functions and meanings assigned to financialization, which in turn shape its diverse manifestations. Additionally, several studies acknowledge that institutional restructuring, policy reforms, and the adoption of financial instruments are deeply shaped by historical path dependencies (Aalbers, 2017; Blackwell and Kohl, 2018), constrained by political legacies and limited access to specialized knowledge and expertise (Deruytter, Juwet and Bassens, 2022). Tracing the often-overlooked early phase of financialization thus helps to enrich and deepen our understanding of the diverse configurations of financialization and the multifaceted role of the state.

This study draws on the historical policy of *financialized privatization* (see Aalbers, 2016; Wijnburg and Aalbers, 2017) of Military Dependents' Villages (MDVs) in Taipei, Taiwan, to explore how embryonic financialized urbanism emerged and reshaped both the urban built environment and social fabric. Within a state-led transformation of MDVs, financial logics and instruments were integrated into urban development and household life (Aalbers, 2016). To date, neither Taiwan's financialized urbanism nor MDV privatization mechanisms have been explored in-depth.

By historicizing the process of financialization through this case, the paper provides three key contributions. First, it offers a detailed account of the under-researched financialized privatization mechanisms of MDVs, revealing a form of financialization that occurred prior to neoliberal reforms. The state acted as the creator of this financialization pathway, facilitating assetization¹ through privatization and public financial channels in response to political imperatives and the state's goals for economic growth. This contributes to a more temporally nuanced understanding of the state's role across different phases of financialization. Second, through empirical analysis, the study shows how financialization in its embryonic stage was assembled and driven by the intersection of short-term political needs, bureaucratic configurations, and present-centered decision-making logics. Financial mechanisms were mobilized as instruments for amplifying and accelerating policy effects. This finding underscores the political and endogenous nature of early-stage financialization, supplementing the extensive literature that has concentrated on financialization as it developed under neoliberal transformations and in the context of post-crisis economic pressures. Third, the study demonstrates that a state governance logic centered

on financial calculation and efficiency embedded early-stage financialization within the policy assemblage of reconstruction and privatization. Abstracted *state simplifications* and calculable policy instruments overlooked social and cultural dimensions that are difficult to quantify (Scott, 1998), while transforming large volumes of public properties and lands into exchangeable commodities released into the then-booming real estate market. This indicates that the effects of this embryonic financialization process were not only manifested at the market level but also reshaped urban socio-spatial development.

Overall, the article reveals the historical and institutional processes through which differences have been produced, yet have been insufficiently examined in existing literature, including studies centered on East Asia. By adopting embryonic financialization as an analytical lens, the paper offers a transferable framework for understanding common housing trajectories across geographies (Aalbers, 2022; Powell and Simone, 2022).

The paper is structured into six segments. The second section reviews key discourses on the state's role in financialization and elaborates the conceptual foundations and significance of adopting an embryonic perspective. The third section provides a historical overview of the policies and institutions that shaped the transformation of the MDVs, highlighting the specificities of Taiwan's political-economic context. The fourth part outlines the adopted mixed-methods approach. The fifth section is structured around policy context, mechanisms, and impacts to provide a comprehensive understanding of this embryonic financialization process. The final part is the discussion and conclusions.

2. The state's multiple roles in financialization: tracing variegation through embryonic processes

Before proceeding with the review, it is important to clarify what is meant by “the state” in this paper. Drawing on Stepan (1978), the state is understood as an ensemble of administrative, legal, bureaucratic, and coercive systems that mediate civil society and public authority. It is an interactive institutional configuration (Harvey, 1976) that can be reshaped through its engagements with those it governs (Das and Poole, 2004). Unless a specific level or authority is indicated, the term state refers to the ‘collectivity’ of these institutions and their power (Christophers, 2017: 64).

Financialization involves connecting spatially fixed objects with use value to global or local capital and absorbing these capital flows through financial instruments (Ward and Swyngedouw, 2018; Weber, 2010). The state plays a crucial role in facilitating financialization and the growth of financial markets and innovations (García-Lamarca, 2021; Pike *et al.*, 2019). Yet, explorations of financialization's patterns and the state's role, shaped by diverse and complex institutional and geographical contexts, have largely concentrated on developments over the past three decades, especially around the GFC.

Studies focusing on Anglophone and Western European contexts demonstrate that, in the face of austerity or economic crises, states acted as enablers. Through regulatory reforms and institutional adjustments, they created conditions for capital entry and financial innovation, facilitating market-based crisis management. For example, Waldron (2018) shows how the Irish state, after the financial crisis,

established the “bad bank,” the National Asset Management Agency, and introduced real estate investment trusts (REITs) to re-channel domestic distressed assets into international financial circuits. At the local state level, after Germany abolished the “common interest” principle, municipalities and housing associations sold large portfolios of social housing to foreign private equity firms or hedge funds to reduce debt. These investors subsequently arbitrated rising real estate markets, which are fueled by low interest rates, through portfolio sales or public listings (Wijburg and Aalbers, 2017). In many cases, the state also functioned as an asset provider. Through state-linked entities or vehicles, public properties were converted into asset bundles that could enter financial markets in various forms (Adisson and Halbert, 2022; Beswick and Penny, 2018).

In mediating institutions, assets, and markets, the boundary between the state and the private sector has increasingly blurred. Adisson and Halbert (2022: 498–500), for instance, examine Italy’s state-led public real estate investment funds and show how they introduced a wide range of private-sector operational services, such as brokerage, valuation, property and building management, and asset management, while internalizing calculative techniques and instruments within the state’s administrative apparatus. The private sector has gained increasing influence through complex cross-sector interactions and negotiations (O’Neill, 2019), rendering the state at times a passive recipient of financial imperatives rather than an actor actively steering financialization to achieve policy objectives. Savini and Aalbers (2016) demonstrate how, in property-led contexts, investment calculations and value-capture mechanisms have been integrated into planning practices. In this process, local authorities in Italy have repositioned themselves in an attempt to balance the return-oriented demands of investors with the pursuit of public interest. Perić, Fox-Rogers and Waldron (2025) examine planning systems in Serbia and Ireland. They show how investor and developer pressures have changed legislation and policy, leading to the centralization of planning powers and reduced public participation, with economic growth and investor certainty prioritized. These cases illustrate how states have enabled financialization as a mode of crisis governance by leveraging domestic and international private capital through regulatory reforms and institutional restructuring. Yet such reliance has also expanded the influence of investors and developers.

In East Asia, although states similarly enable and promote private-sector participation, some exert stronger control over institutions, spatial resources, and markets, playing a more assertive and directive role. For instance, in Singapore, state agencies holding land resources deploy sovereign wealth funds and REITs to embed domestic capital into global real estate markets, reinforcing Singapore’s position as a regional hub of capital and finance (Haila, 2016). He, Zhang and Wei (2020) examine how, in post-2008 China, multi-scalar state interventions ensured efficient financing channels for local governments to promote urban (re)development, positioning the built environment as a key conduit for capital circulation and macroeconomic stimulus (Wu *et al.*, 2020). Central and local governments collaborated closely with financial institutions to expand financial operations. The central government relaxed regulations on local financial cooperation. Local governments raised development funds through internal financing, loans from state-owned banks, and bonds issued by

‘quasi-government agencies’ (Wu, 2020: 327). Local governments and their financing vehicles used state-owned land use rights and properties as collateral, or bundled debts tied to land revenues into financial products, which effectively amounted to the securitization of state credit (He *et al.*, 2020).

Moreover, China’s state-led financialization is not only a form of state entrepreneurialism that leverages market tools to promote economic and market development and to address capital accumulation crises arising from urbanization and economic growth. It is also a mechanism for legitimizing state power (He *et al.*, 2020; Wu, 2018). A similar pattern can be observed in Singapore. Economic growth, driven in significant part by the real estate sector and finance, together with a mass homeownership regime, has been central to the People’s Action Party’s legitimation strategy (Chua, 1995, 1997). In sum, unlike the aforementioned Western states that have sought international capital during austerity to relieve fiscal pressures and dispose of assets, East Asian economies have also mobilized endogenous capital to drive economic expansion, maintain social stability, and reinforce regime legitimacy. These cases illustrate that financialization is not only a mode of crisis governance but also a governance tool within developmental state logics for promoting growth and reproducing political legitimacy.

The above scholarship shows that states reconfigure institutions and regulations, opening space for more complex and expansive forms of capital involvement. These developments represent an evolution of financialization rather than its origins. Many contributions emphasize that financialization has gradually formed through institutional inheritances and other historically contingencies (Aalbers, 2017; Deruytter and Derudder, 2019). Deruytter *et al.* (2022: 269), citing Pacewicz (2013), emphasize that states’ approaches to financial and debt-related challenges are often constrained by “‘recursive relation’ of dependency” tied to limited skills and knowledge. This suggests that financialization is not a purely contemporary phenomenon (Kohl, 2018), but one that has been incrementally embedded within institutions and policy practices over much longer periods.

At the same time, Wijburg and Aalbers (2017) also point out that financialization exhibits variability across different historical periods, with its specific forms adjusting to prevailing political-economic conditions. To better understand institutional diversity and continuity, it is therefore necessary to trace financialization’s early stages and formative conditions. However, existing research largely draws on recent, visible manifestations and outcomes of financialization, which limits their ability to account for the emergence of particular patterns and processes over longer temporal horizons or at earlier historical junctures. Relatively few studies focus on historical analysis and the early phases of financialization. For example, Kohl (2018, 2020) uses several decades to a century of OECD housing data to analyze correlations among mortgage lending, homeownership, and housing supply; Çelik (2023) explores how the Turkish state, from the early 2000s, adjusted regulations, engaged directly in development, promoted assetization, and constructed mortgage markets, revealing how states in emerging economies intervene directly in housing markets initially lacking profitable financial conditions; Chua (2024) and Haila (2016) discuss Singapore’s early policy configurations and political-economic backgrounds. Nonetheless, understanding the causal mechanisms, and how financialization was conceived, endowed with policy

functions, and configured during its formative, or what this paper refers to as ‘embryonic,’ phase, requires further historically sensitive analysis across diverse socio-economic and political contexts (Kohl, 2020, 2022).

Inspired by James Mahoney’s discourses of path dependence, this article takes the moment at which financial channels and instruments were integrated into MDV residents’ everyday lives as the analytical entry point for examining embryonic financialization. Mahoney (2000: 507) defines path dependent processes as ‘historical sequences in which contingent events set into motion institutional patterns or event chains that have deterministic properties,’ and further argues that at the initiating ‘key choice point,’ the range of options available to actors is shaped by ‘antecedent historical conditions’ (Mahoney, 2001: 6). These insights underscore that the critical juncture at which residents’ lives were reconfigured, along with the external and historical conditions constraining its trajectory, is central to understanding the subsequent diversity of financialization patterns and everyday practices. This study therefore aims to analyze the decision-making logic underpinning this juncture, as well as the historical and institutional conditions that enabled its emergence.

To further unpack the decision-making processes at this juncture, it is necessary to “disaggregate” the collectivity of the state and examine the logics and operational mechanisms of its constituent actors at work in the embryonic stage (see Christophers, 2017). O’Brien *et al.* (2019: 1295) highlight the importance of “actor-oriented perspectives,” emphasizing that identifying the actors and their interests ‘is central to interpreting and explaining their agency in particular geographical, temporal and institutional settings,’ rather than merely focusing on processes and mechanisms. This is particularly crucial for understanding the practices and roles of the state, which is constituted by a constellation of actors (Gotham, 2006). In the dynamic processes of financialization, the restructuring and repositioning of the state involve heterogeneous actors and complex mechanisms with different objectives and strategies (O’Neill, 2019; Pacewicz, 2013). These processes have facilitated new policy assemblages or forms of public-private partnerships. For instance, political parties may take into account electoral demands and political interests in policy decisions, shaping the trajectory of financialization strategies (Mertens *et al.*, 2021). Repositioning may not always deepen financialization; it can also generate and be shaped by activist movements and resistance (see Fields, 2015; García-Lamarca, 2017; McManus and Haughton, 2021). Therefore, attention to the actors within the state, across (spatial) levels, institutional functions, and factions, is essential to understanding how policy pathways are conceived, formulated, and reshaped over time (O’Brien *et al.*, 2019). Such an approach helps reveal the multiple state roles and practices that constituted embryonic financialization, explaining why it unfolded in particular ways.

3. Housing financialization in Taiwan and Military Dependents’ Villages

Existing studies on Taiwan’s financialization, though limited, highlight the state’s leading role. Chen (2020), adopting a macro-political economy perspective, traces how Taiwan’s housing finance system evolved along a path shaped by the neoliberal reforms initiated in the 1980s. She argues that housing financialization in Taiwan has been driven primarily by abundant domestic capital rather than foreign

investment. As housing became a key asset for absorbing domestic capital, the state promoted the expansion of the housing market and homeownership through institutional arrangements and mortgage subsidies to stabilize both housing prices and the financial sector. Yang and Chang (2018) further show how the state, through its spatial planning authority, created, manipulated, and allocated strategic monopoly rents *via* Transferable Development Rights. This strategically selective institutional configuration enabled the state to privilege particular developers and locations, thereby shaping the conditions and space through which developers could realize and amplify land rent increments.

However, as Yang and Chang (2018: 1949) emphasize, institutional interventions and state officials' considerations are 'time-space contingent,' and state practices in the early stages of financialization remain insufficiently explored. Given the distinctive political-economic and policy contexts, existing accounts of financialization based on other East Asia cases are also inadequate for explaining the Taiwanese experience. The case of MDV reconstruction examined in this study spans the transitional period before and after neoliberalization and financialization. In the 1970s, facing economic disruptions caused by the oil crises, Taiwan's authoritarian developmental state implemented Keynesian-style policies, significantly intervening in the housing market and launching state-led public housing provisions that lasted for approximately two decades (Chen and Li, 2010). Through various policy interventions, the state expanded property ownership and consolidated its role in welfare provision, economic growth, and social stability. This paralleled the asset-based welfare regimes of late twentieth-century Japan, Singapore, and Hong Kong (Ronald and Doling, 2010). Prior to this, housing had been a largely neglected sector, as government resources were primarily directed toward economic development, industrialization, and national defense, areas considered the state's principal objectives (Chang, 1988; Mii, 1988: 107). In the late 1980s, Taiwan underwent substantial political and economic transformations: democratization and liberalization on the one hand, and financial deregulations on the other, which facilitated the rapid expansion of private financial institutions (Lin, 2002). In addition, during this transitional period, housing prices in Taiwan have generally exhibited a sustained upward trajectory since the 1960s, with a marked surge in the late 1980s. Earlier price increases were primarily driven by structural demand associated with economic growth, population expansion, and rapid urbanization, whereas financial deregulation became one of the major forces behind the rise in housing prices and the broader market expansion in the late 1980s (Liao, 2022).

As a state-led program initiated in the Keynesian era, MDV reconstruction reflects the evolving institutional and policy logics of the state and their implications over time. MDV residents represent a social group that became linked to "finance" through asset-based housing welfare programs in a period when financial instruments had yet to become embedded in everyday life.

Military Dependents' Villages (MDVs), loosely defined as 'the settlements built by the Republic of China Military to stabilize the military's morale and accommodate their dependents' (Kuo, 2005: 1), represent a distinctive housing landscape emerging from the post-war context of Taiwan (Chen *et al.*, 2009; Li, 2019). Following the retreat of approximately one million people to Taiwan alongside the Kuomintang

(KMT) government after the 1949 Chinese Civil War defeat (Li, 2015: 137–138), MDVs served as collective settlements for partial military personnel and their dependents among these immigrants and refugees. By the 1990s, over 900 MDVs had been built, scattered around Taiwan and the surrounding islands.

Initially, until the mid-1950s, most MDVs consisted of crude, single-story dwellings built by inhabitants using rudimentary materials (Chen *et al.*, 2009). This reflected a transient mindset fueled by the anticipation of a governmental counter-offensive to return to the Mainland (Chao, 2009: 22). Housing was intended to satisfy minimal living necessities, offering migrants temporary shelters. However, by 1956, as prospects of a counterattack diminished, the government began to systematically regulate MDVs, stepping in to enhance living conditions (Chen *et al.*, 2009: 37) and soliciting private funds for building more villages (Kuo, 2005; Liao, 2017; Ma, 2010). The military instituted a comprehensive management system, ensuring the provision of daily necessities, recreational activities, and educational services to MDV residents, thus elevating MDVs from mere housing solutions to multifaceted life-support systems (see Chao, 2009; Kuo, 2005). Villages were governed and maintained by their respective branches (e.g. Army, Air Force, Navy), with housing allocations often influenced by military rank (Ma, 2010): people with higher military ranks would be assigned to larger houses in most cases. Residents were granted only living permits, while property ownership was possessed by the military (Li, 2015).

Between 1945 and 1992, more than 100,000 MDV dwellings were built (Chao, 2009; Chen *et al.*, 2009). Despite decades of minor housing repair subsidies provided by the military, or residents' self-funded efforts to enhance housing quality (Yang, 2009), these MDVs were plagued by issues of ageing and dilapidated building structures and living environments, which were considered to pose a fire risk (Kuo, 2005). Furthermore, the initial peripheral locations of early MDVs had become central urban areas by the 1990s due to population growth and rapid urbanization, elevating the land value of these sites. MDV lands became part of “underutilized” land dispersed in rapidly modernized, densified, and expanding cities (Lin, 1995). The government, therefore, initiated a two-phase reconstruction program, first from 1979 to 1996 and then from 1996 to 2016, that promoted the sale-driven privatization of state-owned MDVs, transferring ownership to private actors through direct sales (see Deruytter and Derudder, 2019: 1351). The state commenced the comprehensive demolition, relocation, reconstruction, and privatization to enhance the efficient use of these high-value lands and improve living quality (Chao, 2009: 40; Kuo, 2005: 11), establishing socio-economic conditions to extract profits from real estate, with the aim of accelerating national “economic growth” (see Ambrose and Colenutt, 1975). This paper refers to this process of housing ownership transfer and the military's withdrawal from involvement in MDVs' everyday lives as *de-militarization*. Following this process, most MDV residents, after experiencing resettlement displacement, relocated either to new sites or to high-density apartment complexes built on the original locations. This shift in living locations, spatial layouts, and ownership structures has reshaped MDV neighborhoods, altering or dissolving the original lifestyle and culture.

This ownership-based model of asset-based welfare resembles the “giveaway privatization” observed in the post-socialist Eastern European economies (Stephens,

Lux, and Sunega, 2015), where mortgage debt did not expand alongside the transfer of public housing ownership to sitting tenants (Kohl, 2018; Wu *et al.*, 2020). The de-militarization of MDVs differed, however, in that the Taiwanese state mobilized public financial institutions and the assetization of public properties, and introduced mortgage finance, to support the large-scale, capital-intensive physical reconstruction required prior to privatization. Nevertheless, this form of financialized privatization differs from the German cases of the late 1990s and 2000s. Unlike German municipalities, MDVs did not face similar circumstances of fiscal austerity or debt reduction prior to reconstruction (Wijburg and Aalbers, 2017). Housing units were sold to original residents and the broader public, rather than, as in Germany, large portfolios of public housing being sold to international private equity firms or hedge funds. This research aims to clarify this still-obscure transformation of the state's welfare agenda that involved specific financial channels and instruments.

4. Methodology

This method design aims to historicize the financialized privatization of MDVs in order to understand both its processes and the role of the state. A mixed-methods approach consisting of secondary documentary analysis, semi-structured interviews of stakeholders, and spatial mapping was adopted. Secondary documentary analysis and interviews were employed to clarify the still-limited understanding of the financial framework underpinning MDV reconstruction and the state's involvement. These two methods complement each other, allowing one to verify, refine, or address ambiguities and gaps in the other. Where inconsistencies arose, they were addressed by comparing documents and interview accounts, and by considering the backgrounds of the interviewees as well as the sources and publication dates of the documents. Due to the difficulties in interviewing participants from nearly half a century ago, the investigation of the first-phase reconstruction relies more heavily on secondary sources, in contrast to the second phase. The mapping component visualizes how financialization has reshaped urban space and is used to verify the mechanisms described in the interviews.

In order to understand the decision-making context and provide an *original* account and analysis of the detailed implementation mechanisms, this study synthesizes disjointed data from across government publications and historical records. There are five main categories of secondary materials: (a) books published by the state, including central and local authorities, and the military, such as Chen *et al.* (2009), DHPC (2018), Kuo (2005), (b) dissertations and journal papers, such as Chang (2015), Chen (2004), Tang and Wang (2008), (c) historical documents and laws and regulations in the online database of the competent authority of public housing (Digital Archives of Housing Affairs²), (d) *Plan for Rebuilding Old Quarters for Military Dependents*, and (e) non-academic online materials. The first category of documents provides macro-level background and fragmented process details. The second comprises MDV-related academic publications that, while not centrally focused on housing institutions, provide fragmented and often partial insights into contextual and institutional mechanisms. The third contains legal and policy materials, as well as execution-related documents focused on specific reconstruction sites.

The fourth, an internal document provided by Respondent A12, offers additional supporting evidence for the second-phase reconstruction. The GIS mapping dataset was primarily built using appendices from Kuo (2005). These data were verified and cross-checked with online databases, other government publications, and non-academic online sources (e.g. websites of governmental agencies and NGOs). Categories (a), (c), and (d) are used to reconstruct the overall policy process and implementation mechanisms. Category (b) is drawn on for its contextual descriptions and the empirical evidence it documents, rather than for its analytical arguments, while category (e) is used for triangulation.

Semi-structured interviews were conducted from April to August 2022, engaging twelve participants across thirteen interviews (Table 1). Interviewees included professionals with domain expertise (e.g. researchers) or relevant practical experience (e.g. officials involved in drafting legislation or implementing policies and NGO members engaged in MDV cultural preservation), as well as experts knowledgeable about Keynesian-style housing policy and market development (e.g. researchers and housing movement advocates). We observed that the literature specifically addressing MDVs and their financialization processes is rudimentary and often implicit, tending to equate the description of legislative acts and policy intentions with the actual mechanisms themselves, thereby conflating the complex reality of policy outcomes with intentions. The interview data effectively (a) filled in the nuanced discrepancies in policy implementation that were often overlooked by simplified accounts, and (b) revealed undocumented details and the logics behind state decision-making. While elite interviewing with government officials is helpful to discuss policy-making and institutional dynamics (Tansey, 2007), incorporating voices from various sectors can mitigate cognate blind spots and biases, preventing the research outputs from being the extension of a particular point of view. Interviewees were identified through literature reviews and snowball sampling. The higher share of academic participants reflects constraints encountered in accessing respondents with other backgrounds³. Nonetheless, the complementary expertise provided by academic interviewees enabled a more comprehensive triangulation and contextualization of the governance evolution that has been only partially documented. Except for one interview (A12), which was not recorded due to restrictions in a military facility, all sessions were recorded, transcribed, and subsequently analyzed. The duration of each interview ranged from

Table 1. List of the interviewed stakeholders.

Number	Sector
A1	Academic
A2	Academic/NGO
A3	NGO
A4	Independent researcher**
A5	Academic/Politician
A6	Politician/NGO
A7	Academic
A8	Politician
A9	Academic
A10*	Military
A11	NGO
A12	Military

*A10 was interviewed twice (May and August 2022) to continue the incomplete conversation.

**Independent researcher with no institutional affiliation; has several relevant publications.

forty to one hundred minutes. Ethical approval was granted by the University of Sheffield in February 2022.

This research design is subject to two limitations. First, due to the extended temporal span of MDV transformation, the analysis of the first-phase reconstruction relies more heavily on secondary sources and cannot be verified through direct engagement with original participants, resulting in a comparatively lower level of analytical detail than that of the second phase. Second, while interviews with professionals provide insights into governance logics, policy mechanisms, and broader socio-economic and spatial impacts, they may not fully capture the actual effects of these policy mechanisms on everyday life.

5. Embryonic financialization in practice: state strategies, institutional mechanisms, and urban outcomes

This section is organized into three parts. The first examines the governance context underpinning the reconstruction of MDVs. The second analyzes the mechanisms through which financialized privatization unfolded. The third explores the socio-spatial implications of this process. In what follows, Parts 1 and 2 interweave the collected secondary materials with the fragmented insights present in the existing literature. This integration aims to reconstruct the sequence of events chronologically and maintain narrative clarity for analytical purposes.

5.1. MDV Reconstruction as a state political strategy

The first-phase reconstruction (1979–1996) marked the transition of MDVs from a system of state-owned housing welfare to one oriented toward asset-based welfare, occurring within the broader Keynesian policy environment of the 1970s. The ‘key choice point’ of this transformation was triggered by the soaring housing prices following the oil crisis (Mahoney, 2001: 6). The authoritarian KMT regime shifted from its longstanding neglect of housing conditions and incorporated for-sale public housing provision into its broader, economic-oriented development agenda, aiming to reinforce its ruling legitimacy through the provision of direct housing benefits (Chen and Li, 2010). However, the state-led construction projects experienced significant delays due to difficulties in land acquisition and immature organizational capacity (Mii, 1988: 116). During the same period, MDVs, which occupied high-value urban land, faced deteriorating housing conditions and growing demand for improvement among residents. In 1977, Chiang Ching-kuo, the Premier of the Executive Yuan, who was also the son of the authoritarian President Chiang Kai-shek, issued the following directive, documented in Kuo (2005: 11):

Most of the military dependents’ dormitories were built in earlier years and have now become dilapidated. I have instructed the Taipei City Government and the Taiwan Provincial Government to cooperate with the military in carrying out the reconstruction of Military Dependents’ Villages, especially since the land of Military Dependents’ Villages in Taipei is expensive [...].

The state’s interest in MDV lands was driven by the need for large-scale public housing development and the intention to unlock the land’s latent value. With the

goals of promoting land-based economic development and improving housing conditions, MDV reconstruction was linked to broader public housing construction schemes. This initiated a long-term collaboration between the military and local governments aimed at promoting the comprehensive reconstruction and privatization of all settlements.

After democratization in the 1990s, the implementation of fully open elections amplified the role of political factors in reshaping reconstruction institutions. The legal and practical challenges (discussed in the next sub-section) significantly slowed the reconstruction progress of hundreds of MDVs. Some residents who had yet to be included placed ongoing demands on the authorities to intervene. Yet, frequently, some KMT candidates pledged to advance the progress during election campaigns, only to abandon these commitments upon winning office (A2). Based on their analysis of secondary literature, Tang and Wang (2008) argue that the rationale for not fulfilling these promises was the concern that catering to particular groups might alienate the broader populace, compromising the KMT's broader electoral support, and would necessitate a prohibitive public expense. Alternatively, the New Party (NP), which branched off from the KMT in 1993, proposed a housing privatization policy favoring MDV residents as its flagship initiative (A2; Tang and Wang, 2008). This proposal positioned the NP, then the third largest party, as an appealing option for the voters from MDVs, who were predominantly mainlanders and their descendants, and were traditionally KMT loyalists.

Every time during elections, the KMT promised that they would renovate [MDVs]. Before 1996, the KMT always came, every election, but there was no news afterward. So, everyone felt that the KMT was deceiving people [...] So, no one believed them anymore. Then, the New Party came and said, 'Vote for us, and you can have the MDV land' (A2, academic and former high-ranking staff of an MDV-related NGO).

To consolidate the electoral support from the villages and in response to pressure from the KMT's military faction, the KMT central government enacted a law in 1996 that provided the reconstruction policy with stronger legal authority to overcome the implementation barriers faced during the first phase. This marked the commencement of the second phase of MDV reconstruction (1996–2016) to garner electoral support from MDV residents (A2; A8), despite requiring substantial public expenditure. A total of 549 MDVs were incorporated into this new phase.

Disaggregating the collectivity of the state as an actor renders this policy context clearer, revealing that the political crisis faced by the KMT was the key turning point that motivated both the initiation and continuation of subsequent policy patterns. The provision of sale-based public housing, improvements in housing quality, and contributions to economic growth, facilitated by the MDV reconstruction program, were not merely a pursuit of urban development in response to global economic shocks. They also reflected the developmental state's use of "development" as a governance instrument to achieve political aims (Hsu and Hsu, 2013: 680). The unfinished MDV reconstruction in the first phase further produced electoral pressures after democratization, which in turn locked in the continuation of the reconstruction model in the second phase, despite the concurrent liberalization of the 1990s and the rising calls for reduced state

regulation and direct intervention (see Chen and Li, 2010). Moreover, the state did not directly extract economic gains from releasing urban land values into the market. Instead, the reconstruction required significant public expenditures. This stands in contrast to many Western European cases, where austerity measures and debt reduction constituted key policy motivations (see Grander and Stephens, 2024).

5.2. The state's operation of the two-phase MDV reconstruction mechanisms

The policy objectives of freeing up MDV land for public housing construction and improving living conditions through the complete demolition, relocation, and reconstruction of MDVs required substantial public expenditure⁴. To finance these costs, the state adopted a sale-driven privatization strategy. In this process, the resettlement displacement of MDVs produced commodities, including newly constructed dwellings and the public land released but not required for reconstruction. The financing strategies for privatization involved: (a) requiring recipients of MDV ownership to shoulder part of the costs of the former, and (b) auctioning the latter to private-sector participants. The strategy of privatizing public properties to address public budget shortfalls dates back to the post-war period (see He, 2014). These practices eventually established a problem-solving framework, described by Respondent A3 as “institutional dependency,” which was familiarized by the technical bureaucrats in the governments as the mechanism to achieve policy objectives in times of fiscal distress or increased funding requirements.

This was very institution-dependent, because this model was something most bureaucrats in the administrative departments knew how to do. They were very familiar with it and had a lot of experience. Everyone knew what they were supposed to do (A3, a senior staff member of a housing NGO).

There were two main channels at the first-phase reconstruction, which were executed through the public/private juridical association Armed Forces Dependents Housing Public Cooperatives (DHPC), or through the coordination with the government's public housing projects. In order to circumvent legal and funding constraints to efficiently advance progress, the DHPC, a corporation aggregate, was established and supervised by the Ministry of National Defense (MND) for policy implementation (Chang, 2015: 20; DHPC, 2018: 16), while the construction funds mainly came from the government budget (Military Personnel Housing Mortgage Fund Revenues and Expenditures, Safekeeping, and Utilization Regulations, 1977, Article 3). The latter was initiated under the background of Keynesian-style public housing provision. Due to a lack of land, the authorities cooperated with the military in public housing development, with the completed dwellings distributed equally between the military and governmental agencies for both public housing and MDV resettlement purposes. The collaboration involved the local government's public housing authority leading the construction process and providing funding, while the land was supplied by the military (Kuo, 2005).

The inclusion of each MDV in the reconstruction process was contingent upon unanimous agreement among residents, with the military determining whether to

rebuild on-site or relocate them to new sites (Chang, 2015). Reconstructions under DHPC typically occurred within individual villages *in situ*, whereas the public housing constructed in collaboration with the government occupied larger areas, incorporating residents from surrounding and even more distant MDVs (Enforcement Rules of the Public Housing Act, 1978, Article 10). Site selection hinged on whether the land was public (Chen *et al.*, 2009: 28) and the suitability of locations and sizes.

In both channels, residents were expected to cover a portion of the cost, though government subsidies were also provided as policy incentives, which depended on the location of MDVs where the residents lived (see Table 2). According to the data compiled by Chen (2004), since not all households could afford this contribution, residents were offered access to state-supported Public Housing Preferential Loan schemes, or the loans offered by the state-linked Farmers Bank of China. At a time when financial instruments had not yet become widely accessible, the state provided channels of consumer finance to ordinary households through state-linked financial institutions, thereby stimulating the involvement of household capital. This occurred in a context in which Taiwan's financial sector, prior to the 1980s, primarily served businesses, and individuals had limited access to formal financial services. It was not until the late 1980s and into the 1990s that the government established the necessary legal and institutional frameworks for a mature financial market (Lin, 2002).

However, the first-phase implementation confronted several challenges. First, its legal basis was the executive orders from the MND, rather than laws, which lacked enforcement power against dissenting MDV residents (A10). Second, the calculation method for subsidies resulted in much lower housing subsidies for MDV residents located on the urban periphery or in remote areas. Third, sluggish public housing sales during the 1970s and 1980s – attributed to factors such as distant locations, high prices, inconsistent quality, and a short-term housing market recession (Lin,

Table 2. Comparison of first-phase and second-phase reconstruction policies.

	First-phase Reconstruction	Second-phase Reconstruction
Duration	1980–1996	1996–2016
Legal Basis	(Pilot projects starting in 1979) A unilateral executive order of the MND “Working Guidelines for Trial Renewal of Old Military Dependents Quarters” (1978)	<i>Act for Rebuilding Old Quarters for Military Dependents</i> (1996)
Target for New Dwelling Allocation	1. MDV residents 2. Military personnel with dependents but lacking homeownership	1. MDV residents 2. Military personnel with dependents but lacking homeownership 3. Low- and middle-income households 4. Active-duty military personnel
Relocation Sites	1. Reconstructed <i>in situ</i> 2. Public-owned lands with suitable locations and areas	
Resident Contribution	The combined cost of land acquisition and construction (the rental and relocation subsidies were included in the cost) minus 69.3% of the assessed land value ⁵ of the sites residents lived in before reconstruction	20% of the total cost of land acquisition and construction for their new dwellings
Other Government Subsidies	Rental and relocation subsidies	
Loan Terms	Multiple low-interest loan options	

Source: Organized by the author, based on Chang, 2015; Chen, 2002; Chen *et al.*, 2009; Kuo, 2005.

2003; Mii, 1988) – strained the public housing authority’s financial capacity. This financial strain hindered their ability to collaborate effectively with the military (Kuo, 2005), consequently impacting the progress of MDV reconstruction. Driven by political considerations, the central government enacted the new Act in 1996, inaugurating the second phase of MDV reconstruction. Authority over the reconstruction sequence and relocation plans, previously decentralized to different military branches, was centralized under the MND (A10), detaching MDV reconstruction from the public housing schemes.

Two significant adjustments marked this phase: (a) forcibility (i.e. abolishing the principle of unanimous resident agreement to enhance efficiency): if agreement from over three-quarters of a village’s residents was obtained, the village would be mandated to participate in the reconstruction project (Ma, 2010), with dissenters subject to enforced eviction and/or legal action (A10); and (b) more equal housing subsidies: residents’ coverage was capped at up to 20 per cent of the total cost for their new dwellings, irrespective of their prior locations (Table 2). Resistance to relocation was largely neutralized by the legal and institutional framework: without ownership, households that refused reconstruction could not win lawsuits and risked forfeiting their entitlement to new housing units. Additionally, those who accepted reconstruction but opted not to reside in the rebuilt units were eligible for corresponding purchase subsidies to purchase homes on the private housing market (Kuo, 2005).

The key factor for the second phase in selecting sites for reconstruction was their capacity to house residents from neighboring smaller villages. The authorities claimed that relocations did not place residents far from their original locations. Respondent A10 also mentioned that proximity to the former residences made it easier for resident representatives to attend regular meetings for reconstruction affairs. The military and local governments negotiated over the spatial planning and design based on the urban development goals, such as the number of residents to be relocated to specific sites depending on the local governments’ prescribed floor area ratios. The local government would then carry out urban planning, public amenity development, and spatial (re-)configuration based on the surrounding and incoming population after the clearance of old MDVs.

The setting up of areas, roads, and schools for the original MDVs was all based on the conditions of MDV residents at that time. After you take them back, tens of hectares, like in Location A⁶, tens of hectares of land, we told the city government that you could re-plan the space, and what facilities should be in this area, such as education, elementary schools, transportation facilities, roads, and how you should develop it. After that, the corresponding revenue from this land shall be returned to the Reconstruction Foundation. You can achieve ... the city government can achieve their goals and obtain the land, including the chance to develop public facilities [...] (A10, former military official).

A total of 1,628 hectares of land were involved in the second phase⁷. As low-density MDVs were demolished and residents were relocated to high-density housing in reconstruction sites, a significant amount of public land was released in the process. Some lands allowed municipal authorities to realize their urban development visions. As Respondent A10 noted, *‘after the adjustment, the entire...cityscape changes. The metro can also extend to that area because the metro also needs land. It [the*

government] *can open up roads, transportation hubs for the metro, and undergo overall planning.*'

However, most of the released public land (1,060 hectares) was (or was intended to be) auctioned off to domestic developers or institutional investors⁸, such as life insurance companies (Liberty Times News, 2018; Sinyi Global Asset Management, 2015), as a funding source for the reconstruction, contributing to an emergent "property machine" (see Ambrose and Colenutt, 1975). At times, when the auction process lagged and resident payments had yet to be collected, the military relied on financing from state-linked banks and financial institutions to maintain cash flow (A10)⁹. In total, 103 hectares of military-owned land were auctioned to repay these operational debts. (A5; A10; Plan for Rebuilding Old Quarters for Military Dependents, 2012).

These implementation mechanisms reveal that, during this transitional phase of ownership restructuring, the state relied on familiar privatization strategies to meet the substantial fiscal demands of housing (re)development, generating commodities through resettlement displacement to raise funds. At the same time, financial channels and instruments were deployed to support and amplify the privatization process and to activate domestic capital. On the one hand, mortgages offered by state-linked banks served as policy incentives that reduced MDV households' short-term financial burdens, enabling them to share part of the reconstruction costs and alleviating the state's fiscal pressure. In doing so, household debt increasingly permeated everyday life¹⁰. On the other hand, the military also depended on financing from state-linked financial institutions to sustain project progress. Across both channels, these state-linked financial institutions earned interest revenues. The emergence of this embryonic financialization practice was deeply rooted in the policy demands of the time. Publicly steered financial mechanisms, readily available as practical tools, were mobilized by the state as solutions and embedded within the broader policy assemblage. In effect, financialization not only enabled the state to achieve its policy objectives but also released public properties, including newly built dwellings and land, into the market, where they became assets within the private real estate system.

5.3. Socio-spatial consequences of financialized urbanism

This sub-section examines the macro-level impacts of the embryonic financialization experienced by MDVs through the case of Taipei, the city with the highest concentration of MDVs (around 20 per cent, Kuo, 2005: 385). These impacts include: (a) the increased exposure of individuals and public properties and land to a rapidly expanding real estate market, and (b) the direct effect of calculable financial logics in reshaping urban space and fracturing social ties.

First, the financial structuring for the reconstruction aimed primarily at achieving a balance on the books as effectively as possible and, as an asset-based welfare measure, to enable former MDV residents to obtain ownership of the new dwellings at prices far below prevailing market levels, although this still required them to apply for loans.

However, it was the loss of public properties that lurked in this financial framework. The impacts of MDV reconstruction extend beyond the privatization of nearly 100,000 residential units; it also encompasses the sale-based public housing units

constructed on erstwhile MDV sites. Throughout this process, 54 per cent of Taipei City's public housing was built on the released MDV lands (author's calculation based on Construction and Planning Agency, Ministry of the Interior, 2004). The privatized units and auctioned lands were promptly funneled into the rapidly growing real estate market, where domestic investors and developers participating in land auctions profited from them (this included some original MDV residents who speculated on the appreciation, A1).

Public housing projects with strong demand at the time can illustrate these speculative dynamics. It became widely acknowledged that those eligible to purchase such state-subsidized housing, including MDV residents and beneficiaries of privatized public housing, could potentially earn substantial profits through resale (Public Housing Department of Taipei City Government, 2004). Public housing projects developed on former MDV lands were often so popular that eligibility in Taipei had to be determined by lottery. As recounted by staff members from the Public Housing Department at that time:

I heard that the sale of public housing borrowed the lottery machine of the Patriotic Tickets and took place in the Chien Kuo High School's gym. In front of so many applicants, the household numbers and doorplate numbers were drawn one by one publicly. The applicants drawn were all extremely ecstatic as if they had won a lottery ticket. This shows the extremely high popularity of public housing at that time (Public Housing Department of Taipei City Government, 2004: 18).

Although the government was aware that a portion of these units would become speculative commodities, it continued to release privatized public housing and rebuilt MDVs into the market. This continuity could ensure a stable cash flow to service interest payments on construction-related financing and to support future projects (Public Housing Department of Taipei City Government, 2004). This financial balancing mechanism not only integrated MDV households into an ownership-oriented housing system but also channeled public housing units and land released during this period into the market, where they became a window of opportunity for speculative activities.

Second, this mechanism, underpinned by calculative practices, directly influenced urban spatial development. In order to secure construction funds and residents' affordability, the military often opted to sell MDV lands or military-owned land in central urban areas at high prices, subsequently relocating residents to locations with lesser land value (A10). This strategy leveraged the commercial worth of lands with the potential for future value appreciation to attract capital from domestic developers and investors to finance reconstruction projects. Respondent A10, a retired high-ranking military officer with extensive practical experience in MDV reconstruction, explained that in addition to land area and traffic locations, the financial balance was also a factor that affected the selection of the reconstruction and resettlement sites in the second phase.

The locations of some villages were relatively bad. When they came, it became a burden for the MND because they only paid twenty per cent. The Ministry ... the MND would have a heavier burden, so the Ministry would balance considerations [...] Some places with extremely high land prices are not suitable to be chosen as sites. The first is that the area may not be that large, and the second is that when you build it, the financial balance is quite ... quite not worthwhile (A10, former military official).

Figure 1, an original mapping of the spatial relocation patterns of MDV households, empirically corroborates interview data. Since the 1970s, the spatial transformation of MDVs in Taipei over time has indicated a tendency for reconstructed MDVs to be concentrated in specific districts such as Wanhua, Wenshan, and Songshan. The concentrations of Wanhua District and Wenshan District are located in the riverside areas, which were on the periphery of Taipei City during the Japanese colonial era and after the war. Simplicity of land acquisition is another factor. The southern Wanhua District and Songshan District were airfields, and the surrounding area was mostly farmland or vacant land during the Japanese colonial period. After the KMT government took over Taiwan, the previous Japanese official facilities were registered as public properties, and these large areas of land became a land source for MDV reconstruction. Taking into account factors including land area, financial balance, and ease of land acquisition, the *post-reconstruction concentration of MDV households reflects a pattern of relative marginalization*.

Although relocations were claimed to be “nearby” by the military officials (see previous sub-section), the new empirical, spatial data collected reveals that the actual distances of relocations were longer (see Figure 1). Still, such moves were deemed “sufficiently close to the original residences” according to MND guidelines. The standards used for evaluating the selection of reconstruction sites have been narrowed down to quantifiable and dichotomous indicators. These include financial balance and compliance with building and land use zoning regulations, aligning effectively with policy directives and planning goals. These state simplifications driven by efficiency concerns obscured decades-long social interactions and spatial dynamics embedded within MDV settlements and relational and affective factors such as neighborhood identifications and a sense of belonging, which are difficult to quantify or monetize (He, 2020; Scott, 1998).

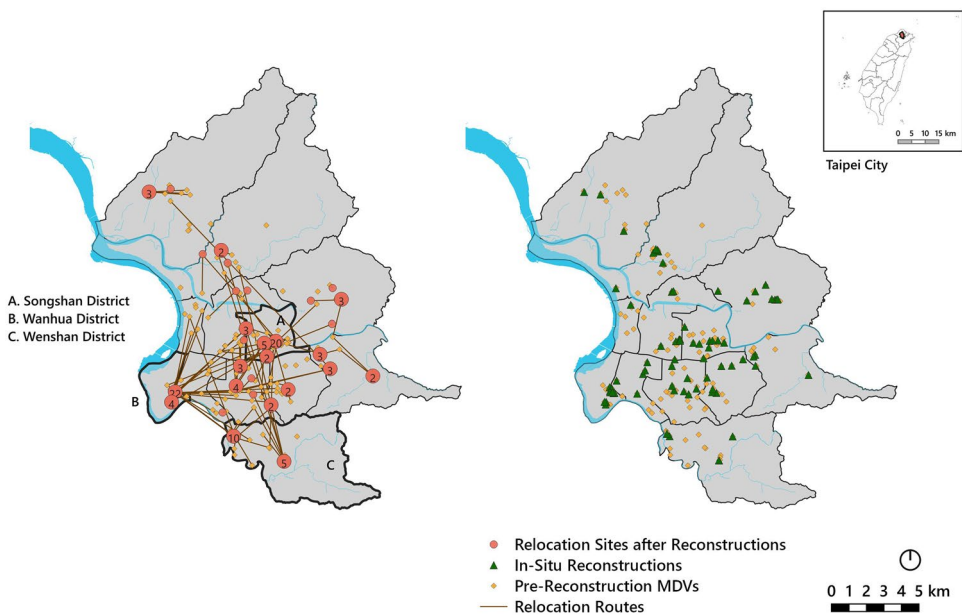


Figure 1. The temporal-spatial patterns of MDVs in Taipei before and after the reconstructions.

The old living environment, the atmosphere, the sense of community, completely disappeared after they moved into the new high-rise buildings. [...] In the new apartment blocks, people live in these small units on the 10th or 20th floor. Sure, now they have flush toilets, bathrooms, all of that, but they don't know their neighbors. They hardly ... they hardly come downstairs, and even when they do, they don't know where to go. Everyone around them is a stranger. [...] Many people ended up dying alone in their own apartments (A6, former government official, now a member of an NGO).

In this sense, the reconstruction process exhibited a high degree of centralization and institutional rationality (see Scott, 1998). State decisions were guided by financial balance and efficiency, privileging ownership transfer and environmental upgrading that were calculable and administratively manageable. This approach was pragmatic and operationally feasible for the state. Yet residents' accumulated social relations and emotional attachments to their original living environments were overlooked, leading to a profound rupture between institutional rationality and the social fabric.

6. Discussion and conclusions

Focusing on the transformation of MDVs from a form of publicly owned housing infrastructure to an asset-based welfare system, the preceding section has examined, in sequence, the driving forces, mechanisms, and consequences of this transition. An actor-oriented perspective disaggregates the state into the ruling party (KMT) as the decision-maker, the military as the implementer, the public housing authorities and local governments that collaborated with the military, and the state-linked banks and financial institutions involved (O'Brien *et al.*, 2019). For the KMT, the demolition and reconstruction of MDVs initially served to reinforce political legitimacy amid economic shocks and later to consolidate electoral support in the post-authoritarian period. The state mobilized domestic capital through the sale-driven privatization of public properties to finance housing (re)development policies designed to respond to political crises. At the same time, through state-linked banks and financial institutions, financial mechanisms were deployed as auxiliary tools to advance policy implementation.

This empirical configuration reveals a distinctive mode of financialization that emerged prior to neoliberalization and the development of mature financial channels. Driven by policy objectives and the practical feasibility of the time, different public-sector actors coordinated with one another, incorporating state-controlled financial institutions into the policy machinery of MDV reconstruction and assembling an emergent process of financialization.

By historicizing this process of transformation, this study highlights three key contributions. First, it systematically unveils the detailed mechanisms of MDVs' financialized privatization and demonstrates the state's agency and control, complementing existing understandings of the heterogeneous roles played by the state in financialization.

Second, the case shows that financial mechanisms were introduced on the basis of administrative and policy logics, and were mobilized as instruments of governance. Mortgages offered through state-linked banks reduced residents' short-term burdens in acquiring newly built homes, while state-linked financial institutions provided

the government with the cash flow necessary to maintain reconstruction progress. This allowed the state to shift part of the reconstruction costs onto MDV residents while securing the liquidity central to implementation. This configuration demonstrates that embryonic financialization was shaped by the short-term political needs and present-centered, efficiency-driven decision-making logics of the time. It underscores that financialization at its formative stage can be politically driven and endogenous, adding a new layer to existing discussion that explains financialization through global financial environments, austerity or debt pressures, and historically sedimented institutional pathways (Adisson and Halbert, 2022; Deruytter and Derudder, 2019; O'Neill, 2019).

Third, this study demonstrates that embryonic financialization produced impacts that went beyond market-level dynamics and were not simply the result of post-deregulation financial expansion. In this case, financialization was internalized into state governance practices and contributed to the reshaping of urban socio-spatial development. The state prioritized fiscal balance and maximizing land revenues throughout the reconstruction process. This calculative and revenue-oriented mode of governance narrowed the scope of values deemed relevant, flattening elements that are difficult to quantify, such as community relations, cultural practices, and everyday lives, and pushing them to the margins (Scott, 1998). Within this framework, public properties, including housing and land, were transformed into tradable assets and inserted into the rapidly expanding real estate market, constituting an early, state-led “property machine” (Ambrose and Colenutt, 1975). At the same time, this process integrated the MDV community into a homeowner-oriented housing market (Aalbers, 2016).

This trajectory demonstrates a form of state-led financialization characterized by proactivity and control, which resonates with patterns observed in some East Asian contexts, for example, in the mobilization of endogenous capital, the pursuit of economic growth, and the reinforcement of political legitimacy. It contrasts with many Anglophone or Western European cases, where financialization has been driven by austerity or debt reduction. Here, the state did not simply remove barriers, adjust regulations, or mediate private-sector participation. It acted as the key architect of a state-centered financialization pathway. This embryonic configuration illustrates how financialization can emerge endogenously and politically, thereby contributing to a more differentiated and historically grounded understanding of its global variegation.

Adopting an embryonic financialization perspective enables this study to highlight the diversity and variability of financialization across different stages within the same context (see Wijburg and Aalbers, 2017), and to reveal how these differences are produced under specific historical and institutional conditions. It also demonstrates the susceptibility of financialization during its embryonic stage, shaped by the state's strategic choices. Moreover, this perspective provides an alternative angle for understanding state roles and the meanings of financialization, and can be more broadly applied to identify similarities and divergences between individual cases and their (non)adjacent contexts.

Finally, the article points to two directions for future research. First, the analytical framework of embryonic financialization can be applied to other political-economic

settings to deepen comparative understanding of state roles, institutional constraints, and financialization practices. Second, given the methodological limitations of this study, further research adopting a resident-centered and micro-level perspective is needed to explore how residents experience and respond to embryonic financialization, and to assess the actual impacts on everyday lives, neighborhood relations, and spatial arrangements.

Notes

1. Assetization refers to the process through which things and their potential for future income generation are transformed into tradable, measurable, and accumulable assets (Wu *et al.*, 2020: 1485).
2. See <https://pip.moi.gov.tw/Publicize/DigitalArchive/Catalog> (last accessed 25 May 2025).
3. During the recruitment process, seven potential respondents declined participation or did not reply. These included three politicians, three scholars, and one senior member of an NGO. Moreover, identifying and recruiting military officials who had directly participated in the MDV reconstruction proved to be practically challenging. There is no available channel through which to obtain the names or contact information of those who directly led or participated in the program, and most of these individuals have already retired.
4. While comprehensive data for the first-phase reconstruction remains unavailable, the total budget of the revised version of the second phase, after including the value of public properties slated for auction, reached NTD 313.8 billion (Plan for Rebuilding Old Quarters for Military Dependents, 2012).
5. The assessed land value is evaluated and set up by the government (The Equalization of Land Rights Act, 1954, Article 46), which is usually undervalued compared to market prices.
6. This location name has been anonymized because A10 was the leading representative of the military in this case.
7. Due to the lack of complete statistical data, the land area involved in the first-phase reconstruction is not presented in this article.
8. Detailed lists and monetary figures were not fully disclosed.
9. By 2011, the military had secured financing from state-linked financial institutions, including banks such as the Farmers Bank of China, the First Commercial Bank, and the Taiwan Business Bank, as well as the Armed Forces Special Funds (Plan for Rebuilding Old Quarters for Military Dependents, 2012: 33). Some of these institutions were partially state-owned, while others were subject to direct governmental control through policy mandates.
10. Earlier data are difficult to obtain. The earliest publicly available record on the MND website dates to January 2018, showing that MDV households still held an outstanding loan balance of NTD 4.556 billion under the second-phase reconstruction (Ministry of National Defense, 2018).

Acknowledgements

The author thanks Ryan Powell, Stephen Hincks, and Michael Marshall for their insightful and constructive feedback, and the 12 anonymous interviewees. The author also thanks the anonymous reviewers and the editor(s) of *Housing Studies* for their valuable comments and guidance. All remaining errors are the author's own.

Disclosure statement

No potential conflict of interest was reported by the author(s).

Funding

This work was supported by Economic and Social Research Council, ESRC Postdoctoral Fellowship / ES/Z503113/1; University of Sheffield, PGR Publication Scholarships 2024.

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