THE DYNAMICS OF POLICY CHANGE IN CHINA:
PROBLEM DEFINITION, AGENDA SETTING AND ACTORS

A Dissertation Presented
By
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To
The Department of Political Science

In partial fulfillment of the requirements for the degree of Doctor of Philosophy

In the field of

Political Science

Northeastern University
Boston, Massachusetts
May, 2014
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ABSTRACT OF DISSERTATION

Submitted in partial fulfillment of the requirements for the degree of Doctor of Philosophy in Political Science in the College of Social Sciences and Humanities of Northeastern University
May 2014
**ABSTRACT**

Policy change is an important phenomenon of China’s politics. The government adopts policies to address problems, supply services and control the society. Studying policy change helps understand the mechanism of policy making as well as the governance and regime resilience of China. It shows how Chinese articulate concerns and bring them to the attention of decision makers and the ways in which decision makers receive feedback and information about existing policies and problems. This paper traces the process of three policy reforms, the Rural Cooperative Medical System (1982-2002), the urban demolition policy (2003-2009) and the national dairy product safety standard (2008-2009). This research particularly focuses on agenda setting of policy reforms. It aims to explain how the decision to modify the existing policy is made under China’s political structure and environment. The study finds the actors who influence the perceptions of decision makers and priorities of governmental agendas, the access they have and the factors that facilitate or impede policy change. The findings suggest that apart from conventional wisdom on agenda setting dynamics of authoritarian regimes, China’s governmental agenda is responsive to the problems and concerns rising from the society. A variety of actors inside and outside the state such as bureaucrats, experts, media, public and international organizations, engage policy debate and problem definition, and thus influence agenda setting. Elite advocacy driven by senior officials, focusing events and heightened media and public attention significantly increase issue salience to decision makers and therefore appear to be the most effective dynamics to influence the priorities of decision makers on agendas. The participation and influence of these actors show that the process of agenda setting in China is more permeable and pluralistic than before. However, the research also finds that due to institutional restrictions, regular Chinese have difficulties articulating their interests collectively and persistently.
Their influences are also affected by the political capacities which vary from population to population. The current access on which most outside actors rely is not formal, institutionalized, reliable and sustainable. The study depicts the process of agenda setting and builds a framework to explain policy change dynamics and state-society relation during this process. It argues that the responsiveness of governmental agenda and the increasing permeability of policy process in China provide an explanation for the regime resilience and adaptability.
ACKNOWLEDGEMENTS

I would like to thank my committee members, Professor Suzanne P. Ogden and Professor Christopher J. Bosso, both of Northeastern University, and Professor Min Ye of Boston University. They read and edited the draft and gave me many critical comments and inspiring questions.

Thanks to Northeastern University and China Scholarship Council, who provided funding for me to pursue a PhD at Northeastern University; and to the Department of Political Science, Northeastern University, whose research grant supported me to take the research trip from September 2013 to January 2014 to collect data and do interviews.

Thanks to Hao Chen, Ph.D. student of Boston University, Mingyu Yang, Ph.D. student of Beijing University, Shen Yongdong, Ph.D student of Zhejiang University, Gao Xiang, Assistant Professor of Zhejiang University and many students and scholars at Chinese Politics Research Workshop of Harvard University for their suggestions and question when I made research design and preliminary study on the research topic.

Thanks also to Chinese Academy of Social Science and Zhejiang University. Scholars, faculty members and students there helped me make the field work which I thought would be extremely difficult but with their help turned out to be great experience.

In the first semester of this program at Northeastern University, when we discussed the roles of the House and Senate in U.S. politics in the course “American Political Institutions and Processes”, Professor Gilbert asked the other three Chinese students and me “How many representatives do you have in the National People’s Congress?” We looked at each other and said “We don’t know. Let’s google. Then I asked myself which organization or who are important to China’s policy making process and politics. In the third semester, in Professor Bosso’s course “Seminar on Public Policy”,

after a number of reading and class discussions, I found the politics of public policy released a great deal of information by which I was able to understand U.S. politics better than any other topics. I realized that studying the politics of China’s public policy might be a key to understanding China’s politics too. Compared to the well-developed tradition of public policy studies in U.S., public policy, particularly agenda-setting dynamics and policy change, are very new topics in Chinese political science. Not much research has been done on it.

In classes at Northeastern, as the only doctoral student from a non-democratic country, I was often asked by classmates and professors questions about authoritarian regimes, democratization and China’s politics. These questions ranged from “Why China’s government allows so many students to study aboard?” to “Do you think that China is going to become the biggest economy in next decade?” At first glance, answers to these questions seemed obvious, but then I realized I don’t know how to answer them in a scientific way. These questions encourage me to make this research and to find the core part of China’s politics to understand the resilience and persistence of this regime and the society under rapid and amazing changes. So I wish to thank friends, students, faculty members and staff, particularly Veronica Czastkiewicz, Jarvis Chen, Lacey Bradley-Storey, Professor Portz, Barbara Chin, Janet-Louise Joseph, Lyle Ring, and Logan Wangsgard in the Department of Political Science, Northeastern. Their questions, help and love pushed me to find a good answer, and from the comparative perspective, I think I understand China better than before.

Finally, I am very grateful to have support, patience and love from my friends Jian Lu, Yun Gao, my advisor Professor Ogden and my parents. All failings and errors in this dissertation are, of course, my own responsibility.
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# Glossary

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<td>Central Committee</td>
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<td>General Administration of Quality Supervision, Inspection and Quarantine</td>
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<td>National People’s Congress</td>
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<td>国务院法制办</td>
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<td>Rural Cooperative Medical System</td>
<td>农村合作医疗保障体系</td>
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<td>State Bureau of Letters and Calls</td>
<td>国家信访局</td>
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<td>Standing Committee of National People’s Congress</td>
<td>人大常务委员会</td>
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<td>State Development Planning Commission</td>
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Chapter 1 Introduction

One of the most intriguing puzzles in the field of China’s politics study is, how China maintained over thirty-years of economic growth without undergoing major regime transition. In other words, scholars and students in this field want to understand the ways in which China’s political system controls and adapts to a society in rapid change. This research aims to answer this critical question through studying policy reform, the central substance of China’s contemporary politics. It argues that unlike conventional wisdom on agenda building of authoritarian regimes, China’s governmental agenda responds to problems and needs arising from the society and there are an increased number of actors outside and inside the state engage in policy debate and make influence on policy agendas. The responsiveness of governmental agenda and the permeability of agenda setting process provide an explanation for the regime resilience and adaptability of China.

The literature on the study of China has made substantial contributions to account for the regime durability from various perspectives. Topics range from coercion, mass political behaviors, the changing party membership, co-optation with economic elites, business associations, and the changing role of mass media, the influence of new social media, political orientation and behaviors of middle class, village elections, National People’s Congress, People’s Political Consultative Conference and many other topics. Usually, these topics are approached from two parallel lines: how the public participates in China’s politics, and how the state adjusts its institutions to incorporate new social forces, demands and ideas. Economic development has markedly changed social structure, political orientation, the function of China’s government and the relationship between individuals and state (Tsai 2007, Dickson 2003, Shi 1997, Ogden 2002, Fewsmith 2013, Li and O’Brien 2006, Goodman and Macfarquhar 1999, O’Brien ed. 2008). Such research focuses on the changes that
rapid economic growth has brought to the participatory behaviors of Chinese people and the patterns of party-state ruling, and it questions whether these changes might pave the path toward democratization of China’s political system. Studies on China’s policy making process is an emerging approach in this field and has recently received more attention from scholars and students in both China studies and Comparative policy studies (Zhu 2013, Wang 2008 and 2013, Mertha 2008, Airey and Chong 2010).

Public policy is an important tool that government uses to address problems and to keep efficacious governance. Thus, the policy making process is a core component of politics, regardless of regime type. Studies on policy change and agenda-setting dynamics particularly concentrate on the process by which a political system incorporates new ideas, proposals and issues. It also focuses on the resisting forces which block new actors from participating in the policy making process, and impede the occurrence of policy reform (Baumgartner and Jones 2009, Green-Peterson, Jones 2006). If a political system allows new ideas and actors to influence the priorities and preferences of policy makers, then (in theory at least) the governmental agenda would respond better to incipient problems promptly and effectively. However, if the prevailing system keeps blocking the emergence of new issues, there would be a great time lag between when issues arise in society and when they appear on the governmental agenda. If policy makers ignore pressing problems and if there is perpetual resistance to the participation of new actors, this could provoke popular discontent, and even mass violence against the status quo (Cobb and Elder 1971). From this perspective, timely policy change is an important indicator of the state-society relationship as well as the resilience and adaptability of a political system.

Two elements affect policy change and the responsiveness of governmental agenda, the
capacity and willingness of participation by the public and the efficacy of input institution to gain and process feedback and information from the outside. Broad public participation could tremendously increase the inclusiveness and responsiveness of the policy making process (Schattschneider 1960, Baumgartner and Jones 2009, Cobb and Elder 1971). In contrast, a political system that is monopolized by elites and excludes the participation of citizens often results in the top-down model of policy making (Grindle 1977, Purcell 1973). In such instances, policymakers may neglect grievances, interests and concerns from the outside, and the governmental agenda primarily reflects the preferences of a few people in the country. We can classify different patterns of agenda setting dynamics in accordance with the level of public participation and regime type. A democratic regime provides more institutionalized access to the public to influence agenda setting, while in a non-democratic, authoritarian regime, people outside the narrow decision making group can hardly participate in the policy debate and agenda building.

This rough taxonomy, however, cannot tell us details regarding the agenda setting dynamics in the specific country, and what factors facilitate or impede policy change. It also runs the risk of overlooking or oversimplifying variations among countries within the same category of regimes. These problems appear more pronounced in the research on agenda setting and policy change in countries not considered democratic in the standards sense of the term. Agenda setting dynamics study is a well-developed tradition in the study of the U.S. public policy process, and is applied to other democratic countries, such as Canada (Soroka 2002), Belgium (Walgrave, Soroka, Nuytemans, 2007) and South Korea (Kwon and Reich, 2005). The existing theoretical models of agenda setting, refined from empirical studies on policy process in democratic countries, are not applicable to explain the questions and phenomena in non-democratic countries. Studies on the policy process of
non-democratic countries fall in a thoroughly different tradition, which is based on a prevailing understanding that the policy making process of non-democratic regime is less institutionalized, less permeable, and less apparently responsive to grassroots citizen opinions or demands (O’Donnell 1973, Levitsky and Way 2002). The studies on this type of regime point out that policy changes are most likely to occur after the rotation of governments and political leaders (Grindle 1977, Purcell 1973, Alston, Melo, Mueller and Pereira 2006). This pattern, nevertheless, cannot provide compelling explanations to a large number of policy changes in China.

Since 1978, China has witnessed great transformations in many aspects, such as the introduction of the market-oriented economy, the transition of agriculture production system from communes to household contract responsibility system, housing reform, taxation reform, new systems of healthcare, pension and social security, and so on. A number of reforms are carried on by means of policy evolutions and innovations. In the last thirty years, China’s central government issued a myriad of new policies, and abolished and revised many previous ones. Between 2003 and 2013, China’s State Council and National People’s Congress passed 336 new policies, including regulations and laws. Among 207 regulations issued by the State Council, 105 were issued to replace previous policies; the remaining 102 were regarded as policy innovations. Of 129 laws passed by the National People’s Congress, during the same period, the proportion of policy reforms is even larger: 91 out of 129 laws were amended or revised versions of the old policies. The reforms of regulations and laws thus accounted for 58.3% of total policies from 2003 to October 2013.\(^1\)

\(^1\)Policy reforms and policy innovations issued by the State Council and National People’s Congress are collected from the published regulations and laws from 2003 to 2013, in Hu Jingtao and Wen Jiabao administration, and Xi Jinping and Li Keqiang administration. The data is available at [http://www.gov.cn/flfg/xzfg.htm](http://www.gov.cn/flfg/xzfg.htm) and [http://www.gov.cn/flfg/fl.htm](http://www.gov.cn/flfg/fl.htm) by 10/10/2013. This research defines policy reform when a new policy was released by the National People’s Congress and State Council to replace the existing policy. And the later expired. The policy innovation is completely new policy. No specific policy existed at the national level before this new policy was issued.
Policy changes have become the effective tools that the party-state relies on to boost economic growth, advance reform, and solve pressing problems arising from rapid economic and social developments. Meanwhile, the political consciousness and skills of Chinese people, the social structure and interest groups, the functions of government, and political goals of political leaders have experienced dramatic changes in the past three decades. China’s policy makers certainly face new problems, conditions, and actors, as well as a new political environment, different from what their predecessors confronted in the pre-reform era. As such, studying both the causes and consequences of policy changes provides a map to understand the underlying mechanisms of China’s politics. Compared to existing models of policy processes of authoritarian regimes, China’s system appears resilient and responsive. This regime has survived leadership succession, economic transformation from planned economy to market-oriented economy, and various domestic and international economic and political crises. Accordingly, it is reasonable to question, in China’s case, whether a small group of regime elites initiate most changes, or whether perhaps, other actors are involved in policy reforms as well. If so, it would be meaningful to inquire what interests these actors have and what access and strategies they use to influence agenda setting and policy evolutions. This research conducts three case studies of policy changes in China: the reform of Rural Cooperative Medical System (RCMS), the change of the Urban Demolition Regulation, and the revision of Dairy Product Safety Standards. These policies affect the interests of rural population, urban homeowners, and consumers of dairy products, respectively. There are notable variations within each case in terms of policy environment, actors and outcomes of the policy evolution. For instance, it took twenty years for the RCMS to reach the governmental agenda, whereas the new dairy product safety standards gained the priority on the agenda in less than one year after the
occurrence of milk powder safety problems. The new urban demolition regulation encountered resistance from strong and well-organized vested interest groups, while in the other two cases pro-reform forces faced relatively weak resistance. The affected population, homeowners in the urban demolition case and consumers of dairy products in dairy safety standards case appeared more politically active and capable than peasants in the rural healthcare case. Therefore, this study suggests that a comparative analysis on these cases presents a great amount of information and detail, based on which we can view various factors in policy change, contrast their influence on the agenda-setting process and build a framework to show the dynamics of policy change and agenda setting.

**Statement of the Problem**

The research engages discussions of two fields, studies of regime resilience and policy change dynamics study. First of all, it describes explains policy change in China’s political structure. The research tends to argue that the logic of policy change and agenda setting reflects China’s political mechanism and state-society relation. Therefore it helps understand the regime durability and resilience in this country under rapid change. How does policy change occur under China’s political structure and environment is the central problem. As mentioned earlier, the conventional studies on policy making process of authoritarian regimes can’t account for the phenomena that in China governmental agenda is responsive to pressing problems and a large number of policy reform have been made which affect a wide range of population in this country.

Policy makers decide to modify, renew or abandon certain policies for some reason. This research is in attempt to find the factors that influence perceptions of decision makers toward the
existing problem. In democratic regime, policy change occurs when policy makers gain the feedback and information which shows that the policy contains some problems and can’t meet people’s expectation. The predicament of authoritarian regimes is that decision makers have no reliable input institutions to gain valid feedback. Under this circumstance, governmental agenda and policy outcome reflect preferences and concerns of a few elites rather than to respond to the most pressing problems. Thus, authoritarian regimes appear fragile because decision makers there often miss the best time to produce right policies to solve problems or correct mistakes. However, since the 1970s, policy makers in China have initiated a number of policy reforms. Policy change is one of most important tools that the party-state uses to maintain effective governance and sustain the regime. This phenomenon suggests that there might be some mechanisms which make policy makers sensitive to urgent problems and allow Chinese people brought their concerns and needs to the attention of policy makers. These input institutions and mechanism make China’s governmental agenda appear responsive to real problems and provide decision makers opportunity to correct the adverse consequence caused by the existing policies. To students and scholar who are interested in political system, policy making process and regime resilience, these institutions and mechanism deserve more attention, as we don’t find a clear and complete answer about what the mechanisms are and under what situation they work well.

To understand the increasing political participation by various individuals and organizations in China constitute another reason which encourage me to conduct this research. Economic growth has brought substantial changes on social structure. Like what modernization theories predict, new middle class and labors in China have stronger political consciousness and capacities to participate politics. Despite the lack of voting right, some Chinese actively engage in civil activities in various
forms, such as protests, petitions and online criticism and debate. How do Chinese people represent their interest and pursue goals in this political structure which certainly does not open sufficient access to them? Their participation in policy process is an interesting perspective to think about this question, since policies are the most common and frequently used connection which links people with states. Studying the participatory behaviors and incentives of people in policy change process illustrates the ways in which ordinary Chinese people live with the single-party system and what impacts these growing social forces make on the system.

Governmental agenda reflects the priorities of decision makers. The issues that policy makers consider need to invest time and resource to solve rise to the agenda. The problems that policy makers neglect or deem less severe are excluded from the political agenda. Therefore, this research chooses to study agenda setting to understand how policy change occurs and why policy makers select some issues on the agenda whereas ignore others.

Studies of policy agendas trace the level of attention to issues within government over time. These studies typically follow the history and development of policies over long periods, seeking to explain the causes and/or the consequences of their rise or fall on the governmental agenda (Baumgartner and Jones 2009, Green-Perdersen and Jones 2006). Two strands in this field have strong explanatory power. The scope of conflict theory (Schattschneider 1960) emphasizes the bargaining power of different participants in the political disputes. Every institution has bias on certain actors, issues and proposals. To break through the status quo sustained by the prevailing institutional and cultural arrangement, the involvement of new actors and ideas is a significant factor. Social mobilization and the expanded scope of interest conflict would bring new ideas and interests, and therefore alter problem definition and nature of the conflict. In this sense, expanded public
participation could substantially sway the outcome of interest conflict and policy change. The inclusiveness and permeability of political system is central to public participation.

The other theoretical model highlights the significances of problem definition and issue attention to policy change (Baumgartner and Jones 2009, Stone 1988, Bosso 1987, Kingdon 1995, Portz 1996). Studies on this approach contend that the heightened attention from policy makers and public elevates issues to the governmental agenda. The changes on problem definition can increase the visibility of a problem, and make the problem appear more severe and threatening (Bosso 1987, Stone 1988, Kingdon 1995). As Baumgartner and Jones (2009) point out, issues rarely rise or fall on the agenda without significant changes in how they are understood or what policies the government considers.

Accordingly, expansion of the scope of conflict and public participation, issue salience and problem definition are three important factors in the literature of policy change and agenda-setting. These factors don’t influence agenda-setting separately. Instead, they mutually reinforce one another.

Despite their common use in studying policy change in democratic systems, there is little research that applies these models to describe and explain agenda setting and policy change in non-democratic countries, including China. In order to account for policy change in China, my research attempts to examine whether issue salience, problem definition and the expansion of the scope of conflict are significant to the rise and fall of issues on China’s governmental agenda. It scrutinizes whether these important actors in agenda setting process in democratic regimes, like political leaders, representatives of legislature, mass media and the public, hold equally important influence in China’s context. The research also searches for other factors that might not appear in the existing literature, but exert great influences on policy change and agenda-setting in China.
Among the three cases selected in this research, the Rural Cooperative Medical System (RCMS) reform and the demolition regulation policy change are more protracted than the reform of China’s dairy product safety standard largely because the scandal of tainted milk products pushed the issue onto the attention of decision makers and the public swiftly. The RCMS and urban demolition issue, to varying degrees, experienced a long period of indifference from policy makers before they reached the governmental agenda. The RCMS issue, particularly, was neglected by policy makers in two decades despite the fact that this rural healthcare system affected more than 80 percent of the Chinese rural population (Liu and Rao 2006). Several features could explain this variation among cases, such as the role of focusing events, the political capacities of policy recipients, the bargaining power of anti-reform forces, involvement of media and public and other contextual factors. As policy recipients, urban homeowners and consumers of dairy products possess stronger political skills and have higher political consciousness than rural dwellers affected by RCMS schemes. With regard to the influence of focusing events, in the case of the dairy product safety standard reform, the melamine crisis, to be discussed in Chapter 5, played a critical role to increase issue salience and mobilize the public to join the policy debate. This kind of focusing events was absent in the process of the RCMS reform.

To explain agenda-building and policy change, this research first identifies actors who were involved in policy reform, and then analyzes their participatory behaviors and interests. Each case study focuses on the access and strategies that various actors used to influence policy makers. Analysis on contextual factors is an integrated part of the research. Factors such as fiscal capacity

\footnote{In 2008, infant milk powder produced by a Chinese dairy firm, Sanlu, caused 6 deaths and more than 51,900 hospitalizations of children with serious kidney problems, and 24,900 cases of children suffering from other problems. These baby milk formula contained Melamine, a chemical added by milk producers and middlemen to increase protein value in the raw milk. After media reported this scandal, the general administration of Quality Supervision, Inspection and Quarantine tested products of other Chinese dairy firms and found that the melamine problem was not an isolated problem of Sanlu, but a problem that rooted in this industry. Chinese consumers were shocked by this news and their trust on domestic dairy products declined dramatically.}
and national mood are considered as influential elements to policy change. Through analyzing these factors mentioned above, this research aims to build a theoretical model to account for agenda-setting and policy change beyond these three cases, thereby providing useful guidance to understanding the dynamics of other policy evolutions in China.

**Research questions**

With the problem and purpose stated above, this study proposes five research questions.

1. What actors actively participate in policy change, what are their interest and stances toward policy change, and what influence they make?
2. What access and strategies these actors have?
3. How did policy makers respond to their participation?
4. What are key factors that influence policy makers’ priorities? What factors facilitate policy change and what factors impede the issue from rising governmental agenda?
5. What is the meaning of agenda setting dynamics to China’s regime resilience?

Each case is involved with different actors and has distinct contexts. The main participants in the rural healthcare case were peasants, officials of the Ministry of Health, international experts. Urban homeowners, local governments, real estate industry, legal scholars, media and the public played important roles in the course of urban demolition policy reform. Media, consumers of dairy products, the public, dairy companies and quality control departments were influential actors in dairy safety policy reform. China’s political system gives different access and power to these actors. For instance, local officials certainly had more access than urban homeowners to influence decision makers. In addition, the economic and social backgrounds of actors shaped their political knowledge, skills and consciousness. The disparities on political capacities and powers of major actors would
make difference on the outcome of policy change that some issues reached the agenda, some did not. Other factors might also matter. For instance, the rural healthcare policy required large budget from governments at various level. The urban demolition policy affected urban land seizure and transition and therefore affected revenues of local government. In contrast, dairy safety policies did not relate to financial conditions of central or sub-national governments. The fiscal conditions influenced the attitude of decision makers toward policy reform. Policy makers might be hesitant to adopt a new policy which requires more public expenditure or strikingly reduces government’s revenue, while they have relatively fewer incentives to decline policy proposal which causes little influence on its finance and earn much popular support as reward for the government.

Through answering these questions, this research compares actors, their access and influences of each case, and finds the most influential factors facilitate policy change. Then, I can address the questions how do political leaders make decision to reform a policy and why some issues are prioritized by decision makers and other issues appeared less visible to them.

**Methodology**

This research is a multiple-case study. It primarily applies qualitative analysis to trace the trajectory of policy change from the occurrence of problems to the moment that issues were set on the governmental agenda. The longitudinal study identifies important actors and events during the change process, and makes comparative analysis on the policy change dynamics of each case. The policy change process of the rural cooperative medical system lasted nearly twenty years from the early 1980s to 2002. For the urban demolition policy, its changing process crossed from 2003 to 2009. The process of the dairy product safety standard is much shorter than the other two cases, starting from 2008 to 2009.
Information and Data Collection

This research is built on two sources of information. The first category includes published government documents, news reports, statistics yearbooks, interviews reports by journalists, research articles and reports, surveys and polls, memoirs of participants and other books. The study applies content analysis to process the information taken from these materials.

In addition to content analysis, the research conducts in-depth interviews with government officials, journalists, researchers and experts who participated in important events and the agenda setting process of three selected cases. From September 2013 to January 2014, the author made 17 (Review) in-depth interviews in Boston, U.S., Beijing, Zhejiang and Shanghai, China. Of these, 12 interviews were made on the RCMS reform, 4 for the demolition policy change, and one interview for the dairy product safety standard. The interviewees are composed of the researchers and experts who provided policy suggestions to officials in the selected cases, the government officials from the Ministry of Health, the Ministry of Land and Resource and the local officials from the bureaus of demolition, the manager of a real estate company, and the journalists who interviewed senior officials from the State Planning Commission. These interviewees provided a great amount of information regarding how the issues were built on the agenda, which are very helpful for the author to understand the perceptions and considerations of policy makers on these issues and reforms.

Concepts and Definitions

Public policy can be classified into national policy, regional policy and local policy. In this research, public policy refers to national policy. The major reasons that the selects national policy as the unit of analysis are as follows,

1) National policy is designed to address a nationwide problem that affects a large proportion of
the population. Compared to sub-national policy, this type of policy is more likely to attract attention from people with various interests and backgrounds;

2) Important actors, such as the State Council, the Central Committee of the Chinese Communist Party, ministries and national news outlets, are involved in the agenda setting of national policy. Sub-national policy making processes can supply much important information and many insights regarding China’s politics too. However, the actors mentioned above are generally absent in the sub-national level, at least directly.

There are four forms of policies made by authorities at the central government.3

a) Laws, which are passed by the National People’s Congress (NPC) and the Standing Committee of the NPC;

b) Administrative Regulations that are passed by the State Council;

c) Ministerial regulations and rules, passed by central ministries and commissions under the State Council;

d) Other normative documents and interpretations to provide further clarification for laws and regulations. They are issued by central legislative or administrative bodies as “administrative measures (xingzhencuoshi)”, “implementation measures (zhixingbanfa)”, “interpretations and opinions (zhengcejiedu)”, “regulations and orders (zhengcetiaoli)” The three cases that the study selects belong to category b, c and d.

**Policy Change** refers to both the result and process of policy reform. The direct meaning of policy change is that an existing policy is replaced with a new policy. The Urban Building Demolition Management Regulation, issued by the State Council in 2001, was replaced by the

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Expropriation and Compensation of Building on State-Owned Land Regulation, passed by the State Council, 2011. In 2002, the issuance of “Decision on Strengthening Rural Health Service” (Central Committee of Chinese Communist Party and State Council 2002) indicated that the new rural cooperative medical system would replace the old system. The new dairy product food safety standard was issued by the Ministry of Health in 2010 and concurrently, the existing system was abolished.

However, in this research, at many places “policy change” describes the process of change rather than the outcome. Policy change particularly elaborates the emergence of an issue on the governmental agenda, and indicates that problems were recognized and brought to attention of policy makers. For instance, the collapse of traditional RCMS beginning in the early 1980s led to a large number of uninsured peasants. In 1980s and 1990s, many officials from the Ministry of Health, Chinese scholars and foreign experts presented their findings on policy problems and reform proposals. In winter 2001, two senior officials from the State Planning Committee and the Ministry of Health made successful policy advocacy. The reform of RCMS was set on the priority of governmental agenda in the next year. The efforts made by scholars and officials in 1980s and 1990s are not as effective as lobbying by senior officials. In this research, two forms of actions are both considered important to the RCMS reform. The process of RCMS reform is not limited in 2001-2002, but lasts from the early 1980s to 2002.

The term ”actors” refers to individuals, social and economic forces such as dairy industry, real estate developers, peasants, dairy products consumers and urban homeowners, health public experts and lawyers who supported property right of homeowners, organizations, and government agencies that were involved in the process of policy change. They could be inside or outside the
government, and reinforce the status quo or promote policy change. In this research, the major actors inside government were decision makers such as presidents and premiers and government officials from various levels of government. The actors outside the government include policy recipients, other interested citizens, policy entrepreneurs, mass media operations, scholars and other policy experts, non-government organizations, domestic and international non-government organizations, business and industries. The concept of policy recipients refers to the major population who are affected by the policy. A policy influences the interests of various people. Taking the example of the dairy product safety standard, this standard affected small dairy farmers, giant dairy firms, local dairy companies, consumers of dairy products, and the government departments which were in charge of supervising and monitoring product quality. Nonetheless, in this case, policy recipients primarily refer to the largest group of the population in the policy subsystem, who were consumers. The same criterion applies to the RCMS reform and the demolition policy. In these two cases, rural dwellers and urban homeowners were policy recipients.

The concept of policy entrepreneurs (Kingdon1995) refers to people who devote themselves to promoting problems to the governmental agenda. Kingdon (1995) and Mintrom (1997) define policy entrepreneurs as people who take advantage to raise problems and solutions into public attention, and seek to initiate dynamic policy change. They attempt to win support for ideas by using network, identifying problems, shaping the terms of policy debates and also building coalition. Possessing political resources and working in the policy domains over a long period of time are two important features of policy entrepreneurs (Kingdon 1995). According to these criteria, in the case of RCMS, several pro-reform officials, public health experts from Chinese medical institutes and international organizations, who dedicated a large amount of time and capital to promoting policy
change, are defined as policy entrepreneurs. Other influential actors such as journalists cannot be deemed policy entrepreneurs because their attention to this issue was temporary and elapsed soon.

The term focusing events refers to incidents that captured wide range of attention from media and the public. Intense media reports and public discussions are vital indicators of focusing events. For example, the nail house incident\(^4\) in 2007 (to be discussed more in Chapter 4, aroused nationwide controversy on the demolition policy. In 2008, the contamination of milk powder with the chemical additive melamine caused sustained criticism and doubts on the problematic dairy product safety supervision and monitor system. These incidents are defined as focusing events in the research.

**Agenda-setting** refers to the process by which an issue gets onto the formal agenda of government and is taken up by decision makers. In the case of the RCMS reform, the agenda was set when President Jiang Zemin accepted a policy proposal from two senior officials and organized a committee to design a new RCMS. In the case of the urban demolition policy, the issue was set on the governmental agenda when the General Committee of the National People’s Congress accepted the letter from five law scholars from Peking University, and ordered the State Council to start revising the policy.

**Hypotheses**

The Independent variables are 1) political capacities of policy recipients, such as urban homeowners in the urban demolition policy reform, 2) focusing events, such as melamine scandal in the national dairy safety policy change, 3) the involvement of media, 4) the involvement of the public, 5) the power and influence of anti-reform forces, such as the local officials and real estate

\(^4\)In 2007, a couple, Wu Ping and Yang Wu, resisted to leave their house in Chongqing, Southwestern China. Their recalcitrant resistance captured nationwide attention from the media and the public. Their neighborhood had been demolished by the local government to make way for the construction of new business center. Wu Ping and Yang Wu's house stood on the construction as an isolated island. Their behaviors to protect private property and right earned widespread support and sympathy in China.
developers in the urban demolition policy case, 6) the amount of budget that the policy reform needs; the dependent variable is the length of policy change which is measured by time from the year when the problem was first recognized by affected populations to the year when decision makers set the policy reform on the governmental agenda.

According to the existing theoretical framework of policy change and agenda setting dynamics and my preliminary understanding of the processes of three policy reforms, this study proposes six hypotheses as follows,

**Hypothesis 1:** Assuming all other factors are equal, if the political capacities of policy recipients are strong, then the problem is more likely to receive attention from policy makers and reach the governmental agenda. As a consequence, the length of policy change is shorter.

**Hypothesis 2:** Assuming other factors are equal, if focusing events occur, then the chance that this issue reaches governmental agenda is higher than issues which have no focusing events. The length of policy change is shorter.

**Hypothesis 3:** Assuming all other factors are equal, if media actively participate in the policy debate and problem reports, then compared to issues with less media attention, this issue gets better chance to reach governmental agenda. The length of policy change is shorter.

**Hypothesis 4:** Assuming all other factors are equal, if the public actively join in the policy debate, the compared to issues with less public attention, this issue is easier to reach governmental agenda. The length of policy change is shorter.

**Hypothesis 5:** Assuming other factors are equal, if the anti-reform force is weak, then, compared to issues that reform advocates confront strong resistance from anti-reform force, this issue is more likely to get governmental agenda, and the policy change is easier. As a result, the length of policy change is shorter.
change is shorter.

_Hypothesis 6:_ Assuming all other factors are equal, if the policy change requires large fiscal expenditure, then the likelihood it gains agenda status is lower than issues which are less expensive. As a result, the length of policy change is protracted.

The major assumption of the hypotheses is that public participation and media attention has certain degree of agenda setting power in China. Social demand for policy reform is influential to the perception and choice of decision makers.

**Contributions**

This research attempts to understand policy change in China. It aims to find the conditions under which policy change would take place, and the facilitating factors as well as barriers in this process. The study falls in the field of comparative policy study. It could make contributions to the development of two fields within the discipline.

First, the research might provide a new perspective to the study of China’s politics. China’s political system lacks the types of institutions for its people to participate in policy making processes that more typical of representative democracies have. This study explores the existing alternative access for the public to influence agenda-setting and decision-making. Petitions, litigations, online policy discussions, media reports, research, surveys and opinion polls may not reach policy makers directly as representative institutions do in democratic regimes. However, Chinese people are frequently adopting these channels to express their interests, concerns and grievances. Meanwhile, the party-state obtains information and feedback from these participatory behaviors and therefore it gains chance to address problems and improve governance. As the cases show, some voices from outside of the state were incorporated into the system via these formal and informal accesses. Studies
on non-democratic regimes have tended to focus on topics such as conflicts, military coups, protests and coalition, bureaucratic system and elite politics. Yet, in China’s case, public policy, particularly policy change, is the most important part of politics. This research promotes better understanding on participatory behaviors, functions of governments and the interaction between individuals and state in China by studying policy agendas.

Secondly, this research hopes to encourage more comparative policy study on countries outside the democratic world. Problems such as city renewal, healthcare and food safety face many countries regardless of regime type. Studying on policy dynamics of common problems might be more helpful to discover similarities and disparities between political systems than static comparison on different institutions (Baumgartner, Green-Peterson and Jones 2006).

The practical value of this research is to provide suggestions to improve and institutionalize China’s policy-making process. A variety of people in China are seeking ways to influence the governmental agenda. As the following chapters will illustrate, media, public participation, and policy entrepreneurs played critical roles to reframe issues, increase issue salience and facilitate policy change. Nonetheless, these mechanisms of agenda setting have severe limits. Lacking institutions to consolidate their influence, the existing participatory actions might not be able to serve as sustained driving forces of policy reform. Institutionalizing access will not only increase the permeability of policy making process, but also improve the resilience of the political system. In this sense, regime elites have motivations to create more formal accesses for new actors to join the policy making process.

**Limitations of the Study**

This research contains two major limitations. First of all, the study describes and explains
agenda-setting and policy change process by conducting a multiple-case study. This method has selection bias, which impairs the explanatory power for other types of policy change in China. The RCMS reform, the reform of the Urban Demolition Policy, and the new Dairy Product Safety Standard show that technical bureaucrats, scholars and researchers, focusing events, media and the public and international organizations made varying effects to promote policy change. National People’s Congress, Chinese People’s Political Consultative Conference and sub-national governments played less important roles in these three cases. However, some existing literature contends that China’s legislative system and local pilot experiments in fact contributed a lot to policy reforms and innovations (Heilmann 2008, Naughton 1994, O’Brien 2008, Tanner 1999). This research does not argue that these actors are insignificant to China’s policy change, only that they were not involved in the selected cases. The comparative study on three cases releases a myriad of information, details and stories about causes and consequences of policy change. However, this method cannot avoid the outcome that some important factors might be beyond the discussion of the research.

The second limitation also results from the research method. This study builds its arguments on two sources of information, in-depth interviews and the content analysis on the published documents, news reports, interviews reports, letters, autobiography and other books. While the author conducted 17 in-depth interviews with the participants of policy-making process, 12 out of 17 are on the RCMS case. For the other two cases, this research does not provide equal amount of data for analyses. Interviewing actors who were involved in agenda-setting, particularly officials, is a difficult task in China. However, since one of the major purposes of this study is to explain the changes on the priorities of policy makers and governmental agenda, the shortcoming associated
with the number of interviews may weaken any conclusions made. On the other hand, interviews are not always that useful, and being able to rely heavily on secondary sources and primary documents is a lot better than nothing. In the research, the author uses the interviews done by journalists and the autobiographies written by participants to diminish this defect.

**Organization of the Study**

This dissertation has seven chapters. Chapter 1 presents research questions, hypotheses, methodology, contribution and limits. It tells readers where the questions come from, how the questions will be addressed and what the research is for. The second chapter reviews the existing discussion on the questions. Scholarships in four fields provide their answers, which are authoritarian regime resilience studies, studies on China’s politics, public policy studies and the studies on China’s policy making process. Chapters 3, 4, 5 introduce the cases of three policy reforms respectively. Each chapter traces the issue development on the governmental agenda, and particularly focuses on and examines the influence of public participation, media attention, issue salience and problem definition on agenda setting and policy change. According to the empirical study, Chapter 6 concludes the model and dynamics of policy change and agenda setting in China. It summarizes the characteristics of actors, the interactions between actors and access as well as participatory strategies they use. Last but not least, the conclusion states the meaning of the policy change dynamics to China’s regime resilience and its impact on the China’s political development in future.

**Chapter 2 Literature Review**

The question that I propose in the research fall into discussions of three disciplines, Authoritarian resilience theories, theories and studies of public policy, studies on China’s public policy. This chapter reviews the existing research on the authoritarian resilience study and its
dialogue with the study of China’s regime durability, the research on agenda setting and policy change dynamics, and the existing study on China’s policy making process. Also, I review the existing research on the three policies that I select for the study and the problems they are involved with, which are rural health issues, urban demolition and relocation problems and China’s food safety problems.

Authoritarian Resilience

Traditional studies on authoritarian regime follow the regime transition-driven approach, which focus on the causes for the collapse of authoritarian regimes and the subsequent democratization. Recently, many scholars and students in Comparative Politics give more attention to resilient authoritarianism. They recognize the importance to understand and study the causes of the durability of existing authoritarian regimes. Rapid and sustained economic growth of China without democratization raises both question and challenge to them.

One feature shared by recent research is that scholars highlight the variations among authoritarian regimes. They argue different institutional arrangements cause disparity on the durability of regimes. Levitsky and Way (2013) suggests that revolutionary authoritarian regimes appear more robust when they face challenges from internal and external crises and problems, because revolutionary regimes have cohesive ruling parties, powerful coercive apparatuses, and they also keep tight control over the security forces. Besides during the revolutions and wars they have destruct the independent power centers, so regime elites face less powerful domestic oppositions. These features distinguish revolutionary regimes from other types of authoritarian regimes and explain their extraordinary durability.

authoritarian regimes according to the nature of political institutions and argue that institutional attributes affect regime durability and their prospects of democracy. Some authoritarian state is less stable and enduring than others. Geddes (1999) suggests that military regimes are usually short-lived. Single party regimes are more persistent compared to other forms of regimes. Multiple party regimes have broader social coalition, and also appear more likely to transit to democracy.

Scholars also point out that institutionalization is an important factor contributing to regime resilience. The state which institutionalizes its succession process and strengthens the executive system has better chance to consolidate its rule (Domínguez 2002, Nathan 2003, Fewsmith 2013). Cooptation with other social forces and even potential opponents can improve the resilience and adaptability of the political system (Geddes 1999, King 2009).

Another influential research approach focuses on the impact of economic resource on authoritarian regime resilience. The revenue from exporting oil and mineral or controlling state-owned enterprises increase the fiscal capacity of regimes so that governments use low tax rates and high spending to reduce domestic pressures for democracy. Governments are able to build a strong coercive power to impede democratization (Ross 2001, Ulfelder 2007, Smith 2004, Way 2005, Pei 2012).

Economic growth and performance legitimacy constitutes an important factor to maintain authoritarian rule. Unlike the conventional wisdom that deems economic development as a precondition of democracy, the growing empirical research on China and Russia show that these authoritarian regimes keep high-speed economic development which have not led to social and political transition toward democracy, but increased the legitimacy of the state (Dimitrov 2008).

These theoretical frameworks drawn from the studies on various authoritarian regimes in the
history and present explain the authoritarian resilience of China to different degrees. Among these theories, influence and limit of institutional resilience to China’s regime durability capture a great number of attention from observers and researchers of China’s politics. Many scholars have adopted the concept “institutional resilience” and to explain why and how the regime adapts to the changing society and market without substantial political change.

Shi Tianjian (1997, 1999) finds a variety of forms of political participation by citizens of Beijing via formal and informal institutions under China’s political structure. The research shows that despite the limited access that China’s political structure contains Chinese actively explored effective channels to influence governments and pursue their interest. Elimination of social organizations, political surge and political education undertaken by the state only prevented Chinese from participating politics collectively. But citizens in Beijing, as Shi argues, found many unauthorized participatory activities to articulate individual interest. These informal institutions for public engagement constituted a critical part of the interaction between people and the government.

Nathan (2003) considers that China’s authoritarian regime is more resilient than many democratization theorists thought. This resilience is largely attributed to its institutionalization. Nathan argues that the party-state has institutionalized the leadership succession, the promotion of officials, and meanwhile it introduces bureaucratic regularization and specialization. The Chinese Communist Party regime has made success in the institutionalization of the party and bureaucratic system. It also develops many input institutions which incorporate and co-opt with social forces and allows Chinese to influence policy decisions.

In light of innovation and development of input institution, several inspiring research have been made on the institutions like media, People’s Political Consultative Conference, business
association and other formal or informal institutions which input concerns from the outside of the system to decision makers.

Dickson (2003) points out that the Chinese Communist Party (CCP) regime has developed corporatist strategy to adapt to the society in which a number of capitalists emerged in market-oriented economic reform. The regime provides new capitalist with opportunities to influence local governments and policies through business associations. In the meantime, the party system has been accessible to these elites in private sectors. Through this cooptation, private entrepreneurs were embedded this system instead of posing challenges to the regime.

Kellee S. Tsai (2007) proposes the concept “adaptive informal institution” to discuss China’s political reform and regime resilience. A myriad of private entrepreneurs emerge in the rapid economic growth in China without forming an independent and unifying capitalist class or playing roles to promote China’s democratization. Tsai argues that the frequent interactions between private entrepreneurs and local officials gradually fostered the informal institution. This mechanism not only provides Chinese private entrepreneurs with the opportunities to maximize their interest which the formal institutions did not contained, but also let the political system absorb the forces of emerging social groups such as entrepreneurs. Moreover, adaptive informal institution might have transformative influence on the reform of formal institution. Tsai states that when decision makers recognized the existence and significance of certain adaptive informal institution, they would convert local informal institutions to national policies. Her conclusion is that China’s political institution is not static. Instead, the system has been adjusting itself frequently and incrementally to the society and market in the rapid change.

Yan (2011) suggests that the People’s Political Consultative Conference has been playing an
important political role in building the inclusive regime institutions of China. The People’s Political Consultative Conference creates an important mechanism for incorporating social leaders and economic elites into the system, facilitating controllable policy bargaining and other political participation. In this way, the state earns more allies and broadens its ruling coalition.

Stockmann (2011, 2012) argues that the commercialized China’s media is a factor contributing to regime persistence. Instead of playing a liberalizing role that classic democratization theory expects, the mass media in China helps the party-state maintain a responsive authoritarian regime. Media functions as both “eyes and ears” of the party to obtain the information and feedbacks from people, and the mouthpiece to spread political goals and policies to influence public opinion.

Existing Research also shows that decision makers are quite responsive to the information collected in these institutions. Through studying the public participation, nationalism and China’s Japan policy, Reilly (2011) suggests that China’s political leaders are capable of dealing with increasing demands for popular participation by adopting a sophisticated strategy of tolerance, responsiveness, persuasion and repression. This strategy makes the party-state become a robust and responsive state rather than a fragile authoritarian regime.

On the other side of this debate, many scholars doubt that institutional resilience of China. In their views, China’s political institution is not particularly resilient or robust. Pei Minxin (2012, 2014) argues that instead of institutional resilience, the primary source of regime durability of China is its capacity of repression. Political co-optation, Chinese Nationalism and tactical adaptation in response to public demand also contribute to regime resilience. Economic growth and strong control of the central government on state-owned enterprises provide rulers rich resources to build an effective and loyal coercive apparatus (Pei 2012). Pei argues this authoritarian resilience is inherently
limited and has already been approaching its limit. The cohesion of the party is eroded, and the predatory nature of the regime would incur the conflict between ruling elites and the public.

Fewsmith (2013) raises a critical question how successful have China’s political reforms on the accountability of government can be institutionalized and sustained. As China has seen rapid economic development for decades, many new social groups and interests such as non-government organizations and media emerged. But the key point, Fewsmith emphasizes, is whether these social groups can translate their energy into a meaningful political reform. After examining cases of local political experiments and innovations, Fewsmith does not find evidence to show that the rule of game in China’s politics has changed. There are still plenty of institutional restricts on the access to politics which constitutes substantial obstacles for political participation by people. Deliberative and consultative policy making process, inner-party election and other forms of local innovations cannot succeed without support from the upper-level government. In the view of Fewsmith, these innovations didn’t develop a path directing to self-sustaining institutionalization. No new institution has been created in China to constrain the exercise of power, introduce independent jurisdiction or lead China incrementally closer to democracy. In this sense, the Chinese Communist Party regime has avoided institutionalization while encouraging institutional innovations that strengthen its power and enhance intra-elite legitimacy, which did not promote democratic participation or rule of law.

The discussion regarding with the institutional adaptability and resilience does not expand to the topic of the mechanism of policy making and its meaning to China’s regime durability. However, the existing literature mentioned above has asked the central question: what channels that decision makers in China rely on to obtain information and the feedbacks from the society. Every state regardless of regime type needs information to make right decisions and to modify its policies, which
is central to state performance and regime legitimacy. One of the core problems of authoritarian rulers is that they have difficulties to receive the information (Wintrob 1998). As Yan (2011) points out, the democratic government can rely on elections, free press, independent civil society and citizen activism to collect feedback. These effective channels are basically absent in authoritarian regimes. Therefore, in order to sustain its rule, it is reasonable for a rational decision maker of an authoritarian country to explore and develop alternative non-elective, reliable and controllable access to information (Yan 2011, pp73-74). People Political Consultative Conference, commercialized mass media, cooptation with private entrepreneurs, and other local informal institutions mentioned above can be viewed as critical input institutions to incorporate information and feedback from outside to the state in China. These informal and formal input institutions are essential to sustain the party-state because they make the regime more responsive and less fragile in disasters, crises and social disorders.

The study on agenda setting and policy change builds on the existing research and engage the discussion regarding regime durability and institutional adaptability. The previous literature concentrate attention on the factors at institutional level, such as the changing environment of media reports and public participation, and rising of private entrepreneurs and middle class and so on. The agenda setting and policy change study focuses on the dynamics at a micro-level, such as the interaction between various actors and the influence of factors on the policy making process. This study suggests that if we know which factors make significant influences on agenda setting and priorities of decision makers in China, then we can probably find the model of communication between people and the authoritarian regime in this country and the situation in which decision makers would like to respond to the public demands promptly.
Studies on Agenda Setting and Policy Change dynamics

Agenda setting is a crucial part of policy making process. Agenda setting decides whether a problem will be considered by policy makers as an issue in need of being solved or not. Policy makers in government have limited attention and control limited resources (Kingdon 1995, Baumgartner and Jones 2009), so they must select which of many issues should be put on the agenda. Governmental agenda thus shows priorities and intentions of policy makers. Studies on the agenda setting process explore factors that influence policy makers’ selection. Why are some issues put on the government agenda by policy makers, whereas other problems are ignored? The existing studies on agenda setting and policy change dynamics started in the United State and expanded to other democratic countries. This research often traces the trajectory of policy making process and search for the important causes to facilitate or impede agenda setting and policy change.

Contributors to the research of agenda setting and policy change have proposed five major causes to explain why an issue is selected as important enough to get on the political agenda: problem definition, visibility of problem, scope of conflict, institutional bias and policy entrepreneurs. These five factors do not separately influence agenda setting. Instead, their effects are closely related to one another to increase or reduce the likelihood of an issue being selected for the governmental agenda.

Many studies stress the importance of problem definition to agenda setting and policy change. Problem definition is a matter of interpretation and social construction, not objective concepts (Stone 1988, Bosso 1987, Rochefort and Cobb 1993, 1994). Stone (1988) states problem definition is the strategic representation of the situation. Groups, individuals and government agencies deliberately and consciously portray the issue so as to promote their favored course action. According to Stone,
problem definition is not a static and objective description of a situation. It is an interpretation constructed by people and therefore it changes with the emergence of new interests, ideas and perceptions on problem.

In order to emphasize the importance of problem definition to agenda setting, Kingdon (1995) develops terms to distinguish problems from “conditions.” Conditions become defined as problems when we come to believe that we should do something about them. Many mechanisms such as indicators, focusing events and feedback bring problems to their attention. Getting people to see new problems or to see old problems in one way rather than another is a major conceptual and political accomplishment.

Rochefort and Cobb (1993, 1994) highlight the close relationship between problem definition and agenda setting. They contend that how problems are interpreted is essential to whether they can gain agenda or loss it. Problems most likely to attract policy attention are defined as more severe, even crises, and are relatively novel, proximate to the interests of policy makers, board in incidence, relatively simple in casualty, and attached to a solution that is available, acceptable, and affordable (Portz 1996).

Bosso (1987) in his research on the politics of U.S. pesticide policy from 1940s to 1980s discusses how the changes in issue definitions during this period increased the issue salience and altered the nature of pesticide policy from an economic issue exclusively associated with interests of pesticide and agricultural industries to environmental and public health issues which affected broad population.

Visibility of problem and scope of conflict are two mechanisms that should be understood together. Schattschneider (1960) states that the result of political contests is determined by the scope
of public involvement in the conflicts. The broad involvement of people significantly alters the nature and consequence of a conflict. Thus, scope of conflict is essential to agenda setting and policy change. However, it is not easy to attract and mobilize the previously indifferent audiences into the center of conflict. The privileged groups in conflicts tend to privatize conflicts, while the weak groups struggle to make problems more public, more visible to more people.

The discussion on issue salience and scope of conflict by Baumgartner and Jones (2009) focuses on policy change dynamics. They assert that in a democracy a primary source of instability is the citizen indifference upon which policy subsystems are based. Heightened attention of policy makers and the public are central to policy change and agenda setting. The growth in public attention to certain issues can strengthen the force of pro-reform groups. Dramatic policy changes were generally associated with heightened governmental attention to an issue, or increased attention within a policy making venue that previously had not been involved (Baumgartner and Jones 2009). Kingdon (1995) suggests also that policies were often created or changed in major ways during relatively short ‘windows of opportunity’ during which conditions were temporarily ripe for increased attention and action.

Due to the limits on resources and attention spans of government, policy makers can only focus on the most urgent and visible problems. As this literature discusses, a new definition on certain issues often arouses increased attention from public and policy makers, and mobilizes large-scale involvement of the previously indifferent people inside and outside the state into the policy subsystem (Baumgartner and Jones 2009) which was once dominated by vested interests and specialists in governmental departments. However, the structure of political institutions offers more or fewer arenas for raising new issues or redefining old ones, as well as opportunities to change the
understanding of political conflict. In this sense, institutional bias is the other critical factor that influences agenda setting and policy making.

Schattschneider (1960) points out that organization is the mobilization of bias. This bias determines that some issues are organized into politics while others are organized out. Bachrach (1962) also contends that people who possess power in an organization often devote energies to creating or reinforcing social and political values and institutional practices to promote issues favorable or at least compatible to their interests.

Cobb and Elder (1971)’s research is concerned with how issues are created and why some controversies or incipient issues come to command the attention and concern of decision makers while other fail. They highlight the unequal distribution of influence and access in political system. The existing bias of the political system both reflects and legitimizes the prevailing balance of power among organized groups. For newly formed or newly mobilized groups, it is difficult to promote issues that they are concerned with on the agenda, and even more difficult to change the prevailing system, which has the propensity to stifle the emergence of new ideas and demands. Cobb and Elder stress the significance of mass participation to issue redefinition, agenda setting, and in the long term to stability and quality of democratic system.

Bosso (1987) shows that due to the prevailing structural bias within the policy subsystem, it is difficult to achieve policy change against entrenched interest groups. The existing structure bias reinforces the policy subsystem dominated by vested interest, bureaucrats and representatives. When more actors are mobilized into the conflict, the previous power structure within the subsystem will change. In the changing process of the pesticide policy, the scope of conflicts expanded to experts, scholars, media and the public. This conflict expanded in a series of focusing events, growing issue
salience, and increased public attention to relevant issues.

To achieve issue redefinition, growth in issue attention and expansion of scope of conflict, a political institution needs to provide certain accesses to incorporate new ideas and actors. Baumgartner and Jones (2009) depict two underpinnings of policy monopoly which are prevailing understanding of a policy and institutional arrangement that reinforces that understanding and limits access to policy process.

According to literature mentioned above, some political institutions contains more opportunities for public participation and are more able to incorporate new ideas and proposals on problems, whereas other types of political institutions might have more restrictions on participation in the decision-making process and block the emergence of new issues and ideas. This variation considerably influences the responsiveness of the governmental agenda to problems and needs in society. This indicator creates room for comparative study on political systems with different levels of institutional bias.

Last but not least, there is one actor who plays a vital role in defining an issue, increasing visibility of problem and mobilizing the previously indifferent groups into policy debate. This category of people is so-called policy entrepreneur (Kingdon 1995). Downs’ research (1972) on issue attention cycle points out that public attention as well as media attention on certain problems is quite short-lived. Problems suddenly leap into prominence, remain there for a short time and then--though still largely unresolved--gradually fade from the center of public attention. In the case of policy change, transient and volatile public attention often faces recalcitrant oppositions from the vested interest. To sustain attention and earn support for new agenda, policy entrepreneurs persistently make efforts to identify problems, shape the terms of policy debates and also build coalitions (Mintrom
Kingdon describe policy entrepreneurs as those who invest time, energy, reputation and money for advocating policies. Policy entrepreneurs have various incentives and come from both inside and outside the government. They organize and mobilize the pressure that new issue and policy change need to get onto governmental agenda.

There are also several other factors discussed and well researched by scholars in policy agenda study. Government rotation, elections, changes in national mood, ideology and culture could bring new ideas and understanding on certain issues, shift focuses on public agenda and in these ways create political environment favorable to change (Sabartie 2007, Kingdon 1995, Bosso 1994). Budgetary constraint is another important consideration of policy makers (Kingdon 1995). The fiscal cost of a new policy would impede it from gaining agenda status. The development of technology might create new solutions for chronic problems which were not available before. Also, policy diffusion and emulation is an important way to foster a new issue and policy. Many policy changes and the emergence of new issues and ideas are influenced by successful policies elsewhere (Berry and Berry 2007). Many of these discussions developed from the perspectives of the availability and affordability of solutions for problems.

Existing research were made to address questions regarding agenda setting and policy change of U.S. base. Recently, scholars adopt the theories and research methods to analyze agenda setting process in Belgium, Canada and several other European Countries, which shows these frameworks mentioned above are not only applicable to highly pluralistic society with strong interest groups, legislature and lobby tradition but also to other policy environments (Soroka 2002, Walgrave, Soroka and Nuytemans 2008). These comparative policy studies create the possibility to apply the theoretical framework mentioned above to scrutinize and analyze China’s agenda setting and policy change.
process. It would be meaningful and challenging to know whether these models are helpful to understand and explain the dynamics of policy agendas in a non-democratic regime.

**Literature on China’s policy change and agenda setting process**

Agenda setting and policy change study is an emerging field in China studies. It is relatively new, but continues to attract attention from scholars. *Policy Making in China: Leaders, Structures, and Processes* (Lieberthal and Oksenberg, 1988) is path-breaking research depicting China’s policy making process in China in great detail. This book is a result of Sino-U.S. cooperation research. With help from the U.S. Department of Commerce and China’s State Council, Lieberthal and Oksenberg interviewed high-level officials in core departments of the State Council in their field work in Beijing. The authors collected first hand materials of policy formulation in 1980s. The great contribution this research makes is to identify major actors and their influence in policy process at that time. It describes China’s political system as a fragmented authoritarian structure in which the conflicts of interests of different leaders and departments and various levels of government have large effects on policy change and new policy.

Susan Shirk (1993) explores the decision making process of economic reform in *The Political Logic of Economic Reform in China*. Shirk finds that China’s political leaders built a pro-reform coalition of elites within the existing system. Reformists at the central ensured that provincial leaders would benefit from the reform and therefore earned their support to overcome the obstacles from the conservatists. Shirk proposes important models to describe the relationships among important political elites at various levels of government: the principal-agent relationship between Communist party and state bureaucracy, the reciprocal accountability between leaders and members of the elite selectorate, the organizational setting where these actors interacted with each other, and delegation
by consensus which depicts the protracted consensus-building process in a system without voting. These models have great insights on the mechanism of China’s politics and accounted for many evolutions and innovations of economic policies in 1980s and the early 1990s.

In 1980s, when Lieberthal and Oksenberg (1988) and Shirk (1993) did research on China’s policy making process, they did not find social groups and other non-governmental actors in China. Accordingly, their research both concentrate on the interactions among political elites in different departments or at various levels. Nevertheless, actors such as non-government organizations, interest groups, intellectuals, and the media emerged later and started to exert influences on policy change, which means that Lieberthal and Oksenberg’s framework is no longer able to account for the policy process comprehensively.

Since the 2000s, more scholars and students of China noticed the great influence of economic and social developments on agenda setting. Many scholars proposed new models to present the important factors and dynamics they grasped in China’s policy making process.

Andrew Mertha in his book *China’s Water Warriors: Citizen Action and Policy Change* (2008) studies the change of policy process caused by engagement of NGOs, mass media, and the public. Mertha analyzes and compares three cases of hydro policies in southwestern China. In these cases, local residents and some officials opposed hydro construction initiated by the Department of Water Resources and the Department of Energy. Facing the likelihood of environmental degradation caused by dam constructions, residents protested and petitioned to resist projects. The results of three cases vary by the power distribution between the state and civic groups. The group which was able to mobilize the public gained better chance to resist hydro projects. Mertha adopts “Policy Entrepreneurs” and “Issue Framing” from Kingdon (1995) to analyze the influence of media and
NGOs. It is the first study that applies theoretical frameworks of U.S. policy study to China’s policy change. Mertha contributes many insights about the interaction between individuals and state, and their influences on policy change. However, the cases that he selects show more about resistance of people against policy implementation instead of agenda setting or decision making process regarding policy change at the central government.

Heilman (2008) stresses the significance of local experiments to China’s policy innovation and reform. Heilman says the policy process in which central policy makers encourage local officials to try out new ways of problem solving and then feed the local experiences back into national formulation has been a pervasive feature in China’s economic transformation. Nevertheless, to those who are interested in agenda setting and decision making process, the research does not tell where the incipient ideas for policy reform come from and why policy makers would feel the need to launch or approve local experiments.

Zhu Xufeng (2009, 2011, 2012 and 2013) focuses on the influence of think tanks on policy making process. Zhu (2012) categorizes three types of think tanks in China as official research institutes, semi-official think tanks and civilian think tanks. The impacts of think tanks on policy making process vary by their nature, particularly by their relation to the state. Zhu (2013) also constructs an analytical model by adopting and developing policy network and principal-agent theories suggesting that expert involvement can be regarded as the result of the inherent characteristics of policy change in the Chinese policy process. He selects four policy change cases include the new-type rural cooperative medical care system, the new urban medical care system, revocation of detention and repatriation system, and the new economically affordable urban housing policy, and tests different level of influences that experts make on these cases.
Wang Shaoguang (2008, 2013) makes important contributions to the literature of China’s agenda setting study. Wang contends that agenda setting in China can be classified according to two criteria: the identity of agenda proposers and the extent of citizen participations. He argued that great social and economic changes since 1990s had increased the influence of experts, the media and citizens in policy making process. Wang (2008, 2013) also denounced the concept of authoritarianism as an ideological curse of Western social science, because it is not a helpful analytic tool for understanding China’s policy making. Legitimizing China’s agenda setting model, however Wang’s research does not address the significant differences of influence, access and bargaining power each actor possesses in the process.

Mass media and new social media have reshaped the channels through which Chinese citizens obtain information and participate in policy debate. More studies were made on the influence of internet and mainstream media on public affairs and policy making process (Stockmann 2011, 2012, Shirk ed 2012). In Changing Media Changing China (Shirk ed, 2010), through studying detailed case, the authors describe how the media converted from a propaganda mouthpiece into an agent of watchdog journalism, how politicians are reacting to increased scrutiny from the media, and how television, newspapers, magazines, and Web-based news sites navigate the cross-currents between the open marketplace and the CCP censors.

Apart from the new role that mainstream media plays in China’s politics, internet appears increasingly important to Chinese’s political participation. Yang (2009) depicts the patterns of online political participation and discuss the increasingly influence of internet on China’s politics. Since the mid-1990s, the Internet has revolutionized popular expression in China. It enabled users to self organize and influence public opinion in unprecedented ways (Yang, 2009). But his studies the role
of media and particularly internet on civil activities in environmental protection and public debate of food safety issues also emphasize that China is far from having free press, and so public participation by media often encountered many limits (Yang 2007, 2013).

Wang (2009) points out the uneven distribution of access to internet and its consequence in public expression. According to his survey on 216 middle income households in China, the emerging urban middle class are increasingly relying on mainstream media and the internet to obtain information and they view media as effective means to influence policies and express their concerns and grievances. Meanwhile, the coverage of internet in the rural areas is still low. The gap between urban and rural populations in using internet may make important influence on public agenda. In his survey, urban middle class are far more interested in issues that immediately affect their jobs and lives than problems such as poverty and rural problems.

Observers both inside and outside China might question how much influence media can exactly made on policy making under the government’s censorship. King, Pan and Roberts research (2013) shows the nature of online posts and comments decide the likelihood it would be censored. The government allows criticism on the state, leaders and policies on social media, but the authority defines the posts which proposed to organize a collective action against the regime as dangerous source of social instability and will remove these posts.

The existing literature on China’s policy making process provides guidance to know several important actors of agenda setting and policy change, such as leaders, bureaucrats at central and sub-national levels, media, NGO, the public and so forth. But there is little research to show the interaction between involved participants in longitudinal case studies. Without reviewing the whole process of issue development on the governmental agenda, we can not compare and tell which
factors are most influential. So we have no convincing answers to several important questions, like what access that actors use to influence agenda setting in China and which one is the most effective. This study aims to find actors, their influence, access and contextual factors through tracing important activities, events, the development of conflict in the process of policy change.

**Previous research on three public policies**

The three cases I select in research are controversial problems received constant attention from both the society and state in China, which are rural healthcare system, urban demolition policy and dairy product safety policy. Three policies have been discussed by some inspiring literature in China studies. For the case of the rural cooperative medical system reform, William Hsiao(1995) and Liu Yuanli (2003, 2004) made important contributions on the study of China’s rural health inequality and healthcare system. Hsiao is one of public health experts who first exposed the severe problems caused by the collapse of the traditional rural healthcare system and started research on this topic. Liu and Rao (2006) highlight the influence of the cooperation between foreign experts and domestic officials. The Ministry of Health officials and experts from Harvard University as well as Asian Development bank converted research on the rural healthcare to specific policy proposals and successfully persuaded decision makers to give their attention to the rural health and poverty issues. Wang Shaoguang builds a framework to account for China’s agenda setting and policy formulation model on the rural (2008) and urban (2013) health insurance reform. He argues the existing input institutions can effectively incorporate interests from various social forces and policy makers are capable of making consensus between different interests and ideas.

For the case of urban demolition policy, Mertha (2009) highlights the growing property right has influenced and changed Chinese homeowners’ attitudes toward demolitions. Economic and
social transformations dramatically change the value of property as well as political awareness of Chinese homeowners. It makes some home owners proactively resist demolitions and to optimize their interests in demolition. Hess (2010) depicts and analyzes the way in which Chinese protestors resisting home eviction and demolition. He suggests that home owners have developed innovative, media-savvy tactics to win public sympathy for their causes and frame their plights as unjust. City renewal, urbanization and land seizure is the background for urban demolitions. The unprecedented urban growth and rapid urbanization capture attention of many scholars. Ren (2013) and Friedmann (2005) concentrate on undergoing urbanization in China and the deep influence it has brought on new migrants as well as the current residents in cities. Shao depicts the stories of dwellers in Shanghai, the finance hub of China and Asia-Pacific. He points out that during the great city renewal, Shanghai is turning to a megacity in recent decades but this change came at serious social and human cost. The eradication of home and neighborhood are often against the will of its dwellers. Shao’s research shows that the home owners in Shanghai protests and resists demolition in various forms, and they not only care material compensation, but also in some cases pursue goals such as accountable government and to correct social unjust.

For the dairy safety case, Yang (2013) analyzes how the affected population in food safety crises protected their interest, broke the hegemony of the state and pursued justice by various means including protest and online petition. Fu (2009) focuses on the responsibility and malfeasant of various levels of government in the dairy safety crisis. Yan (2012) states the reasons for prevalent food safety problems in China, and taking the tainted dairy product as one of examples to analyze the incentives of dairy industry to produce low quality and problematic products.

The existing literature on three cases is valuable and inspiring to this research. Some of them
provide vivid stories and solid facts which I can follow to find more information to understand the
essence of the policies, problems and the context in which the problems emerged and escalated.
Chapter 3  The New Rural Cooperative Medical System

The New Rural Cooperative Medical System (hereafter cited as NRCMS) is a healthcare policy which affects the interest of around 70% of Chinese population (Liu 2004). The NRCMS provides health insurance and assistance to the rural population. It was promulgated by the State Council and the Central Committee of the Chinese Communist Party (hereafter cited as Central Committee) in 2003.

The fundamental difference between the NRCMS and the rural cooperative medical system (RCMS) that it replaced is its financing policy. Whereas the RCMS primarily relied on village collective funding, the NRCMS is funded by three sources: national subsidies, sub-national and local subsidies, and individual premiums (State Council 2003). The government’s share is large and the private contribution accounts no more than 20% of the total (Xu and Jiang 2013). In numerical terms, it is by far the largest state-subsided health system in the world (Liu and Rao 2006, People Daily 2013). This policy reform, which was put on the party-state agenda in winter 2001, marks a substantial change in China’s rural healthcare policy. The new policy came into effect in 2003.

Because the financial foundation of the tradition rural cooperative medical system, rural commune was ended by the party-state after Cultural Revolution, this medical system started collapsing in the early 1980s. The health clinics and hospitals that re-emerged in the countryside were private. A wide range of rural population was uninsured and exposed to high medical expenses in illness.

In 1998, 87.44% of rural population needed to pay all medical expenses, and the RCMS coverage was only 6.5% of the rural population (Cao 2009). Under this situation, the growing medical expenses blocked the access of numerous uninsured peasants to receive health care they
needed (Liu, Rao and Hsiao 2003, Liu 2004, Yuan and Chen 1994). Lack of basic health insurance posed severe threats to health conditions and fairness in the rural areas. In addition, because the out of pocket costs were the main type of payment in the rural medical system, illness had become the largest generator of transient poverty of rural families (Liu 2004, Yuan and Chen 1994). As rural poverty historically often led to unrest and protests against the regime, the dramatic drop in the RCMS coverage also affected the economic development and social stability in the rural areas.

Despite severe problems that the collapse of RCMS caused, policy makers did not clearly acknowledged a need to improve the RCMS system in the 1980s and 1990s. Rural health issue remained low on the political agenda in this period. The sweeping change of RCMS took place in 2002 when the central government introduced the new form of RCMS pilots and improved financing policy to fund the NRCMS. Starting from 2002, the RCMS reform became one of the priorities of policy makers. The attitudes and perceptions of policy makers on this issue changed substantially. Four critical questions arise from this protracted process of policy change.

*How did the rural healthcare issue rise from a “hidden” problem in 1980s and 1990s to the priority of political agenda in 2002?*

*What factors affect perceptions and attitudes of policy makers on the policy problem and the reform of RCMS?*

*What are facilitators and barriers of this policy change?*

*Which actors, inside or outside the state, had significant influence on this change? and*

*What level of access did they have under China’s political structure?*

In order to answer these questions, this case study traces the 20-years policy change process of the RCMS, analyzes show different actors influenced the process of political change, and explains
the agenda setting dynamics of the RCMS case.

**Policy problem and its origins**

Since the early 1980s, the collapse of the traditional RCMS led to numerous uninsured rural populations. Given the lack of health insurance and escalating medical expenses, low income rural families would either be unable to purchase necessary medical treatment in diseases or suffer varying degrees of impoverishment because of the medical spending they paid (Liu 2004, Yuan and Chen 1994, Zhu 2000). As the affected population was so large, since the late 1980s, widespread problems caused by the collapse of RCMS had threatened public health, the sustainable growth of living standards and social stability in rural China (Zan 2013, Cao 2009, Liu and Rao 2006).

The collapse of RCMS in 1980s and 1990s was attributable to its weak financial base. The major financial source of traditional RCMS was village collective revenue. The collapse of village-based commune (gong she), a form of collective agricultural organization, in the early 1980s removed the financial base of RCMS. Meanwhile, central and sub-national governments did not give subsidies to sustain RCMS schemes, which contributed to the chronic financial shortage of RCMS in the two decades. Without sufficient funding, the traditional RCMS collapsed in most villages.

RCMS was a village-based prepaid healthcare system established in the 1950s. This system ensured that the rural population had access to basic health service at low cost. Different from other former communist countries, RCMS was not funded by the central government. Instead, the funding that the operation of the RCMS needed stemmed largely from village revenues and peasants themselves (Yuan and Chen, 1994). The central government provided limited subsidies for doctors and medical equipment. Under the RCMS system, members in the commune paid a certain percentage of family annual income to the village-scale RCMS scheme. Patients' payments for
outpatient fee and part of medicine expenses made up the third source of funding (Zhang et al, 1994). The RCMS started in the 1950s from several local policy innovations and transferred to other regions. In the Cultural Revolution, the RCMS was bolstered by top leaders and spread to the most of communes in China. The RCMS was considered the most effective model for developing countries to provide affordable medical services to a large population (Zhang 1993). However, there was not a national system to fund and manage a nationwide RCMS. Because the RCMS was financially supported and run by the commune, its performance varied considerably from region to region.

In the early 1980s, the major sponsor of the RCMS, the commune, was replaced by the Household Contract Responsibility System (hereafter the HCRS, jiatinglianchanchenbaozhi), parallel to the privatization of the agricultural economy in which the basic unit of agricultural production converted from communes to families. As China dismantled the commune system, the collective funds that constructed the major part of RCMS budget dropped precipitously, and even disappeared.

This transformation substantially weakened the RCMS, largely because the central government did not fill the fiscal vacuum left by the end of the commune system. In the history of PRC, the central and provincial governments had no history of assuming the financial burden for rural health insurance (Zan 2013). In 1979, governments at varying levels provided RMB100 million. As Figure 3.1 shows, during 1987 to 1997, despite rapid economic growth in China, the annual fiscal input for RCMS from governments at varying levels was much lower than in 1979. These governmental subsidies were negligible for 800 million Chinese peasants.

Due to such financial difficulties, RCMS schemes were cut in many villages, and in places where RCMS still worked peasants’ trust on this system declined dramatically. In surveys made in
1990s, most peasants worried that the funding for their insurance would be misappropriated by corrupt village and county bureaucrats (Zhang 1994, Cao 2009). Peasants were unwilling to purchase a healthcare scheme without institutional and financial support from the government. Alternative plans such as commercial health insurance did not win many customers, as most peasants, in surveys made in this period, showed strong preference toward state and public funded health insurance plans (Zhang 1993, Yuan and Chen 1994, Liu and Rao 2006, Cao 2009).

Although the policy problems were pronounced in 1980s and 1990s, RCMS issue remained low on governmental agenda. Policy makers at the party-state did not devote sufficient political or financial resources to ameliorate these problems. There was no specific national policy made to improve the financial status of RCMS.

Figure 3.1. Governmental subsidies for RCMS.

Source: Cao, Pu. 2009. “Two Attempts to Rebuild the Rural Cooperative Medical System in the 1990s and Their Consequences (20世纪90年代两次重建农村合作以来的尝试与效果).” Party History Study and Education(党史研究与教学), Number 4, pp.18-27.

Policy problems

The collapse of the traditional RCMS led to serious financial barriers for peasants to obtain health care and caused illness-induced poverty in rural areas. The coverage of the RCMS declined dramatically from 90% of administrative villages in 1979 at the peak to 4.8% of the villages in 1989.
(Cao 2009). As a consequence, health conditions worsened in the areas where RCMS schemes collapsed.

According to the investigations made by the MOH, the SCRC and WHO, increases in rates of infectious and chronic diseases such as polio and schistosomiasis were reported in 85% of China’s counties. These diseases had been basically eradicated in the late 1960s, an achievement partially attributed to the wide coverage of the traditional RCMS, which provided basic health care in the countryside (Zhang et al 1994). More than 420 million rural residents lived in these areas, and the number of patients reached 60 million (Yuan and Chen 1994). As the traditional RCMS decayed, the large population in the rural areas became increasingly vulnerable to diseases.

Meanwhile, medical expenses in China increased considerably in 1980s and 1990s. As Figure 3.2 illustrates, from 1990 to 1997 the growth rates of both outpatient charges and hospitalization fees were far higher than the increase rate of peasants’ average income. Research by the Chinese Academy of Social Science (CASS) also shows that in 1997 per capita medical spending was 226.8 RMB (USD 27.4 dollars). Compared to 1992’s expenditure, cost of hospitalization and outpatient charges increased 2.1 times and 3.3 times respectively (Zhu 2000). Rapidly increasing medical expenses critically reduced the accessibility of health care to poor rural patients. Without either collectively-based healthcare or health insurance, disease became the number one poverty generator (Liu, Rao and Hsiao 2003, Liu 2004, Zhang 2001). Illness-induced poverty was frequently mentioned in surveys made by institutes, such as MOH, World Bank, WHO, and UNICEF in the 1990s (MOH 1993, 1998, Wagstaff 2009). According to MOH data collected in 1993 and 1998, medical spending raised the number of rural households living below the poverty line by 44% (Liu et al 2001, Liu 2004).
The collapse of RCMS virtually created fee-for-service system for the majority of households in rural areas. Many rural families borrowed or became indebted because of health expense; part of them sold meager assets to pay healthcare, or suffered from hunger for an extended period time (Yuan and Chen 1994, Zhang et al 1994, Liu 2001, Liu, Rao and Hsiao 2003). A saying that spread widely in China vividly reflected the heavy financial burden caused by medical spending on rural residents: “An appendicitis surgery costs one-year income of a rural family” (Bai 2013). Some experts and MOH officials observed that even wealthy rural families easily encountered bankruptcy due to catastrophic disease (Zhang et al, 1994). In the 2000 WHO report, China was ranked 189 out of 191 countries in the section of fairness of financial contribution to health system (WHO 2000).

What’s more, this problem affected economic growth and social stability. Lack of necessary health protection and increasing number of illness-induced poverty families had incurred discontent among peasants (Cao 2009, Zan 2013). If policy makers did not provide a solution for this problem, enduring poverty caused by illness and unfairness of public health could lead to unrest in rural areas. Problems regarding rural public health would eventually affect social stability and sustainable economic growth in rural China (Liu et al 2003, Cao 2009, Zhang et al 1994, Zhang 2001, Zan 2013).
Figure 3.2. Medical spending and rural per capita income in 1990, 1993 and 1998

<table>
<thead>
<tr>
<th></th>
<th>Per visit (Yuan)</th>
<th>Per admission (Yuan)</th>
<th>Rural per capita income (Yuan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>11</td>
<td>473</td>
<td>686.3</td>
</tr>
<tr>
<td>1993</td>
<td>40</td>
<td>1,668</td>
<td>921.6</td>
</tr>
<tr>
<td>1998</td>
<td>79</td>
<td>2,891</td>
<td>2162</td>
</tr>
</tbody>
</table>

Source: Data for per visit and per admission were collected by 1993 and 1998 MOH National Health Services Survey; rural per capita income data is from China National Statistic Yearbook 2001.

**Barriers of Policy reform in 1980s and 1990s**

The collapse of RCMS affected 800 million rural Chinese and economic growth and social stability in rural areas. However, RCMS did not arise to the top of governmental agenda until 2001. Why was the political system so unresponsive to the burgeoning healthcare issue for rural residents? Five aspects of the policy environment help understanding of this puzzle: 1) the influence and power of policy recipients, 2) institutional limits, 3) issue definition, 4) financial capacity, and 5) competition from other agenda issues.

**Policy Recipients**

First, the affected population of the RCMS, Chinese peasants, has limited influence on both political agenda setting and public priorities. Compared to other sectors of the society, the rural population lacked an influential mass organization at the central government level (Bernstein 1999). In theory, the Chinese Communist Party was their organization, but it did not function effectively in representing rural needs. As an official from the National Planning Committee (NPC), who participated in the 1999-2001 agenda setting work, said, no one wanted to speak for the
disadvantaged population in the rural areas. Any reform favorable to their interests was hard to achieve (Zan 2013). Although peasants had traditionally undertaken collective resistance and protest against local administrations to advance their short-term interests (Perry 2010; O’Brien and Li 2006), Chinese peasants voiced inconsistently when it came to national policy making (Bernstein 1999). Compared to entrepreneurs, professionals, other urban elites, the chance that their concerns and interests were incorporated into the political agenda was significantly smaller. Peasants had no sufficient bargaining power to influence national policy-making process.

In 1980s and 1990s, peasants had limited access to articulate their concerns and interests. On the RCMS issue, the first channel they tried was the media. In 1983 and 1990, two peasants each mailed People Daily, the nationwide newspaper considered the mouth of the party and central government, to describe the miserable conditions of farmer households without basic health insurance, and the urgent need to restore the RCMS. People Daily and another official newspaper Farmers’ Daily, which is affiliated with the Ministry of Agriculture, published a myriad of letters from peasants and rural physicians. These letters and commentaries called for more attention by decision makers to the rural health issue (Cao 2009).

Peasants’ demand for restoration of the RCMS was also reflected in surveys undertaken by the MOH, local bureaus of health and scientific academies. From 1984 to 1996, a series of investigations were conducted by the MOH and Bureau of Health at province and local levels (See table 3.2). The outcome of these surveys first indicated that RCMS performed better than commercial insurance and fee-for-service system in the selected villages, and secondly, these villages highly preferred the RCMS than other forms of insurance (Cao 2009, Zhang 1993).

In these two instances, the concerns and preferences of peasants regarding health care were
presented in media and surveys in 1980s and the early 1990s. However, based on the documentary evidence it seems clear that these were exceptions, and during this time the voice of peasants was neither loud nor persistent enough to draw the attention of policy makers.

The limited influence of the Ministry of Health

If the rural population seemed incapable of influencing agenda setting at the central government on its own, institutional limits also restricted the Ministry of Health (MOH), which was in charge of rural health conditions, from promoting policy change for peasants.

In the national government, the Ministry of Agriculture plays central role in promoting peasants’ interests. But its concentration is on agricultural production and modernization. The Ministry of Resources and Social Security was in charge of the national health insurance programs. Yet, historically since 1949, Chinese rural residents and urban residents have two different systems of public education, healthcare, pension, aids and other welfare. The coverage of the state-funded health insurance was limited in urban areas. Rural population was excluded from this state-funded socialist welfare system (Wang 2008). Therefore, after the RCMS coverage saw a dramatic decline, the MOHRSS did not have responsibility or incentive to deal with the problem, which was never under its jurisdiction (Interview 5). Accordingly, the two ministries which were directly related to peasants’ well-being and health insurance were not committed to address the problems resulting from the collapse of the RCMS in rural China.

The MOH is affiliated with the State Council. It is in charge of public health development and medical system in China. The MOH worked actively and constantly on rebuilding RCMS since the early 1980s. The MOH experts, cooperating with several prominent domestic medical academies and international organizations, made a considerable number of surveys and investigations (see table 3.2).
However, its proposal for increasing budget to fund the RCMS was opposed by the Ministry of Finance and did not receive much attention from the decision makers at the State Council (Zan 2013, Interview 10).

Public health was not a priority of top leadership until 2002. Economic growth seemed much more important than public health issue in the first two decades of reform (Wang 2006, Blumenthal and Hsiao 2005, Wang 2004, CAHP 2003, Interview 4 and 5). Likewise, in 1980s and 1990s, the MOH was not considered by decision makers as an important ministry when compared to economic and social development. Many other ministries, such the Ministry of Industry, Ministry of Finance and Ministry of Commerce also had much stronger influence and bargaining power within the government. Accordingly, the MOH had very limited influence on governmental agenda (Interview4, Zan 2013).

One indicator of low status of MOH in the central government is the National Work Conference (qunguogongzuohuiyi). The National Work Conference is an important mechanism for decision making and policy formulation in China’s politics, and it also indicates the priorities and policy goals of the central government in the next year. The central committee of Chinese Communist Party and State Council had authority to organize national work conference (Interview 10). And ministries cosponsor annual conference in its own specialized field. Policy makers, ministers, leaders of provincial and municipal bureaus, and leading experts attend the conference on the regular basis to evaluate work performance and policy implementation in the past year, to set agenda and formulate policies for the next year. Some annual conferences, such as national economic work conference and national agricultural conference, play central roles in reform and policy innovations since the later 1970s (Yang ed. 2012). In reform era, decision makers pay much attention on issues such as
economic development, technology, and agricultural modernization. Therefore, the central committee and state council had long history to convene national conference in these fields regularly. Officials in the powerful ministries had more chances to interact with decision makers at the top leadership. The State council did not convene a national medical service work conference until 1996 (Cao 2009, Cai 2009), which illustrates that decision makers were less concerned with public health issue and the influence of the MOH on national policy making was quite limited.

In 1994 and 1997, MOH struggled to bring the RCMS issue to the attention of decision makers. Policy makers gave some positive feedbacks to these policy proposals. For instance, the State Council approved the proposal submitted jointly by the MOH and other five ministries, The development and optimization of rural cooperation medical system, and forwarded it to various levels of sub-national government as an administrative order. However, the attention of policy makers on the RCMS reform was transient and faded quickly. The central government didn’t intervene into the problem to stop the collapse of the RCMS. The core part of the RCMS, the financial policy, was not improved in these years. After keeping silent in 1980s, the RCMS reform waxed and waned on the political agenda in 1990s.

**Issue Definition**

Scholars in the study of Agenda Setting Dynamics emphasize the significance of issue definition to policy change (Schattschneider 1960, Stone 1988, Kingdom 1995, Bosso 1987, Baumgartner and Jones 2009). To some extent, how people perceive this issue decides its future. As Baumgartner, Jones and Green-Perdersen (2006) point out, issues rarely rise or fall on the agenda without significant changes in how they are understood. From this point of view, the prevailing understanding of the RCMS in the policy community was not favorable to policy reform. In the
1980s and 1990s, decision makers and many officials at the central government viewed the RCMS as the legacy of the Cultural Revolution and the planning economy (Yuan and Chen 1994, Liu 2003). The RCMS was also deemed as a financial burden of peasants (Zhang 1993). Based on this understanding, policy makers considered that the RCMS was no longer suited to the rural areas of China, and therefore there was no need to increase the fiscal input to fix this healthcare system.

In 1980s, and even 1990s, in the policy community, the following facets of the RCMS definition had profound influence on policy makers, and dominated the policy debate over long-time.

1) Many officials and policy makers perceived RCMS as a legacy of Cultural Revolution, a system incompatible with market economy and a source of financial burdens on peasants.

The traditional RCMS was established and spread in Mao era. Thus, the RCMS was considered as the legacy of Cultural Revolution, like other schemes such as commune system and the “rural-going movement” (shangshanxiang, urban educated youth were sent to countryside to work and live there). All these programs were denounced and criticized in 1980s. RCMS became a symbol of misguided egalitarianism and communism. Opponents of RCMS argued that this universal healthcare system wasted enormous public resources to pursue a radical unrealistic goal. They argued that RCMS didn’t deserve more financial support from the central government, and even should be dismantled (Zhang 1992, 1993, Zhang et al, 1994). Obviously, this issue framing was not conductive to RCMS reform. To policy makers, the RCMS was an outmoded healthcare system; and therefore it had small chance to receive the funding from the central government.

2) Meanwhile, some MOH officials and decision makers at the top expected that rapid economic growth in rural areas would automatically improve peasants’ financial capacity to obtain access to high-quality medical services they needed. And they believed that commercial health insurance
might grow to fill the vacuum left by the collapsed RCMS (Interview 4 and 7, Zhang 1992, 1993, Zhang et al 1994, Zhu 2000). Policy makers, at that point, did not consider RCMS as a public welfare policy, which the government had obligation to carry out. In their image, the market would solve the problems in the rural areas, and the government had no need to intervene in saving RCMS (Interview 7). From their perspective, with the introduction of the rural ‘household responsibility system’ in the early 1980s, farmers, not urbanites, were the first to ‘get rich.’ This image had enduring influence. In 1996, when decision makers started to consider that necessity of rebuilding rural universal health insurance, decision makers still wavered between supporting a commercial insurance plan or RCMS.

3) The third image of the RCMS is as a contributor to the financial burden of the peasants, which profoundly affected the perceptions and attitudes of policy makers toward the RCMS. Due to the policy of fiscal decentralization, many expenditure responsibilities for public infrastructure, education and health were transferred to local governments. Accordingly, the county and village-level governments faced critical financial problems since late 1980s. Many local officials began to raise extra agricultural taxes and fees to make up for the fiscal debt. Under this situation, in some villages where the RCMS schemes still survived, without other funding sources, local officials collected money from peasants to maintain the scheme operate normally, which increased the financial burden on peasants (Zhang 1993, Cao 2009).

By the early 1990s, such financial burdens became unbearable in some regions, and rural rioting broke out to resist these agricultural fees (Bernstein 1999). This problem lasted to the end of 1990s. To decision makers and some leaders at the Ministry of Agriculture and the Ministry of Finance, RCMS was a major source of peasants’ financial burden. As a consequence, in the 1990s, the general
office of State Council and the general office of Party Central Committee issued three prohibitions to ban varying agricultural fees, and RCMS was listed in each prohibition (Central Committee of Chinese Communist Party and State Council 1993, 1996). These rulings put many pro-RCMS local officials in a difficult situation because they risked disobeying the party-state to sustain funds for RCMS operation (Cao 2009).

Most important, during this time few in the central government even acknowledged the success of the traditional RCMS in previous decades. From 1952 to 1982, the Chinese health care system achieved enormous improvements in health and healthcare. Infant mortality fell from 200 to 34 per 1000 live births, and life expectation increased from about 35 to 68 years (Blumenthal and Hsiao 2005). As the RCMS healthcare policy affected nearly 85% of Chinese population, it made great contribution to this improvement. In fact, the RCMS was once considered the most successful public healthcare system by the World Health Organization and World Bank (Zhang et al. 2010). But China’s own policy makers tended to ignore the successes of China’s rural healthcare policies, in large part because they had been a part of China’s past ‘leftist’ policies that the government wanted to abandon. Issue framing in 1980s and 1990s was, in short, a victim of a change in China’s “general line”—from Maoist, leftist policies to the “four modernizations” and the concomitant introduction of concepts of the market and privatization at the expense of agricultural communes and their collective-based health-care system.

**Financial problems**

Financial problems constructed the other critical barrier for the policy change. The restoration of the RCMS asked for a huge amount of fiscal expenditure to fill the vacuum left by the collapse of commune-based collective funding. Only the state and provincial finance had ability to collect such a
great amount of budget. However, prior to 2002, the central government refused to increase the budget for the RCMS. This financing policy was due to two factors. The central government in 1980s and 1990s suffered its own fiscal difficulties, and so tended to avoid to assuming expenditure responsibility on RCMS (Zan 2013, Cao 2009, Wang 2008). And secondly, as there was no tradition for the central government to fund the RCMS before, the Ministry of Finance, the department in charge of governmental budget, resisted bolstering any reform that requested additional fiscal input.

Between 1979 and 1994, China’s taxation system experienced decentralization, which considerably reduced central government revenue. From 1979 to 1993, the growth of governmental revenue was far behind GDP growth. That is, in spite of dramatic growth in the GDP, the center’s treasury was not received a commensurate increase in tax revenues. The 1979’s governmental tax revenue accounted for 28.4% of GDP, and this proportion dropped to 12.6% in 1993. In the same period, the central government’s share of the national governmental tax revenue dropped from 46.8% to 31.5%. The central government had to borrow money from sub-national governments in 1989 (Sun 2004). Under this situation, the central government encountered severe fiscal problems to raise budget for a new expenditure item. Policy makers at the central government were reluctant to bear expenditure responsibility for RCMS (Zan 2013, Wang 2008).

Local governments were plagued with the same issue. Rebuilding RCMS required sub-national governments to provide fiscal support as well. County and village administrations were responsible to collect large part of funds. However, in the less developed regions, governments at this level faced fiscal debt in 1980s and 1990s. The expenditure greatly surpassed the annual local revenue. Some county governments even had problems paying salaries to civil servants. As a result, both central and local governments lack sufficient financial capacities to support the RCMS (Zhang 1994, Yuan and
As mentioned above, from 1950s to 1970s, RCMS was primarily funded by communes. Before 2002, the central government had not taken fiscal responsibility for rural health insurance. In the 1980s and 1990s, when research undertaken jointly by the MOH and other academic institutes showed that state fiscal input was necessary and critical to the survival of the RCMS, the MOF refused to adopt a new policy in order to fund RCMS. The reason MOF gave to the pro-reform officials and experts was that it had never done this before, and it did not know where to collect this great amount of money needed by local governments for healthcare (interviews 4). The financial cost thus reduced the feasibility of restoring RCMS to the rural areas (Downs 1972). The chance that reform of RCMS would climb up the governmental agenda was very small.

**Competition from other issues**

Last but not least, in the first two decades of economic reform rural health issue appeared less pressing to decision makers in comparison with other problems. In the 1980s, improving productivity, ownership reform, introduction of market economy, growth in export and foreign investment, household responsibility contract system, and the development of village-county enterprises were major issues in China. And in the 1990s, the reform of State-owned enterprises, lay-offs and unemployment issue, anti-corruption campaigns, the taxation reform, the reform of bureaucratic system, China’s entry into the World Trade Organization, Southeast Asia economic crisis, and the urban housing reform were the priorities of policy makers (Interview 4 and 10, Wen 2013). Even if the senior officials in the leading ministries and the State Council were aware of rural health problems, they were unwilling to devote their attention to these most urgent problems. Policy makers have limited time to allocate to multiple problems, and therefore they can only respond to and
address problems they consider most salient and pressing (Kingdom 1996, Baumgartner and Jones 2009).

As interviewees noted, the SOE reform was a good example to compare with the RCMS. The SOE reform and layoffs and the rural health and poverty issue were severe problems facing Zhu Rongji administration in 1990s (Interview 4 and 9). However, in comparison with rural issues, the SOE problem appeared much more pronounced and threatening to Premier Zhu. Reforming the SOEs created 15 million unemployed workers in the cities (Sun 2005). These unemployed were well-trained workers in the manufacturing sector. They once enjoyed the best welfare benefits under the socialist system, including free medical service, education for their children, and pensions, but now everything was taken away. They were particularly distressed with the loss of healthcare and other benefits. On the other side, peasants who had access to commune or collective-based health care (not state-funded free healthcare) never blamed the state for doing nothing to stop the collapse of RCMS. In addition, rural patients who encountered illness and poverty were scattered around this country. It was extremely hard, if not impossible, for them to organize a cross-region petition or protest. In contrast, former-employees of state-owned enterprises clustered in several large industrial cities which made collective protests more convenient. In 1990s, the likelihood of rioting caused by those unemployed in cities was much higher than rioting by those who lost healthcare in rural areas. Therefore, to policy makers, the SOE reform and the urban unemployment problem was far more pressing than RCMS (Zan 2013). As a consequence, policy makers concentrated resources and attention to solve urban unemployment and temporarily ignored the problems related to the collapse of RCMS in the same period.

In the 1980s and 1990s, the political agenda of the party-state indicated that policy makers’
priorities were overwhelmingly concentrated on economic development. Economic issues were far more competitive in capturing attention of policy makers than welfare policies. Under this circumstance, the RCMS issue appeared neither salient nor urgent enough to draw the limited attention from the policy makers at the top leadership.

The factors mentioned above explain the indifference of policy makers to the RCMS problem for a long time. Consequently, although the collapse of RCMS had caused serious health and economic problems in rural China, policy makers did not address these problems. The RCMS problem remained an unobtrusive issue in the view of policy makers until 2002.

**How did change occur?**

**Contextual factors and policy window**

After a long-period of absence on the political agenda, the RCMS issue gained agenda status in 2001, and was prioritized by decision makers in 2002 and 2003. Various actors facilitated the agenda setting and policy change. It is noteworthy that the contextual factors contributed to the increasing salience of rural health issue for policy makers. Between 1994 and 2003 three significant transformations, which took place in aspects of the taxation system, agricultural policy, and public health, created conditions favorable to the development of the new rural cooperative medical system.

In order to resolve fiscal difficulties, the central government launched a taxation reform to increase its revenue. Under new tax system, the party-state raised the share of the central government in value added tax, consumption tax, enterprise income tax, individual income tax and vehicle purchase tax. As table 3.1 shows, this reform remarkably improved state fiscal conditions. By the late 1990s, financial problem was no longer a constraint for RCMS reform. With stronger fiscal capacity, the central government was more likely to create an immense expenditure for new programs, such as
NRCMS.

Table 3.1. National and sub-national revenues in selected years from 1978 to 2011

<table>
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<tbody>
<tr>
<td>Central government (%)</td>
<td>15.5</td>
<td>33.8</td>
<td>52.2</td>
<td>53.3</td>
<td>49.4</td>
</tr>
<tr>
<td>Local government (%)</td>
<td>84.5</td>
<td>66.2</td>
<td>47.8</td>
<td>46.7</td>
<td>50.6</td>
</tr>
</tbody>
</table>

Source: China Statistic Year Book 2012

Second, the central government gave more attention to rural and agrarian problems in the mid and late 1990s. Starting from 1996, “Farming, Countryside and Peasantry Issues” (San nong) (which meant “Improving living standards of peasants”, “advancing agricultural modernization”, and “maintaining rural stability”) became new priorities of the party-state, and frequently showed up on governmental agenda. It was a great shift in the priorities of decision makers within China’s top leadership.

From the mid 1980s to the early 1990s, decision makers concentrated most of their attention on economic issues, particularly on urban development. With regard to the issues in rural areas, policy makers expected that economic growth in rural areas could automatically solve problems such as urban-rural gap, stagnated income growth, impoverishment, shortage of education resources, and health inequality (Interview 4, Wang 2008). In 1992 and 1993, hundreds of protests, demonstrations and riots caused by financial burdens erupted in the villages of Hunan and Sichuan provinces, which warned policy makers that rural problems had developed to be more threatening than they thought before. Mass incidents such as collective protests seem to be trigger events for central policy makers to act and avoid worse outbursts.

Policy advocacy as well as academic research in this field actively contributed to the policy community. Since 1993, officials at the MOA and NDRC, and the scholars in rural study began to be
aware of problems in rural areas (Wen 2004). In 1996, Wen Tiejun, a scholar in Renmin University, a prominent academic institute that provides policy advice to the central government, published his report “Two Major Constraints on Farming, Countryside and Peasantry Issues.” This report (Wen 1996) emphasizes the prevalent problems that existed in the rural China, including agricultural policies, political indifference and discrimination on rural population, poverty, fiscal deficit of local governments, and agricultural production. The report aroused widespread discussion and rethinking on rural issues in the policy community at the central government.

In 2000, a letter written by Li Changping, a county administrator in Hubei province Mid-Eastern China, to Premier Zhu Rongji was published via media, and raised heated discussions on rural problems in the public (Wen 2004). Li earned a master’s degree in economics, which was rare among officials at the county-level government. His letter described the miserable situations of the rural areas and expressed alarm that if rural problems were not solved promptly, the persistent poverty of peasants and fiscal debt of local governments in rural areas would eventually lead to social instability.

Many researchers in rural study and leading economists contended that the state should increase investment in agriculture. “How to rebuild rural China and address the problems caused by long-period inattention of policy makers on the rural issue” rose to become one of the most heated topics inside and outside the state. As a result, by the late 1990s, policy makers appeared much more sensitive to rural problems and relevant policy advocacy which were formerly ignored (Bernstein 1999). Under this circumstance, rural health issue had greater chance to draw sustained attention from decision makers.

The third contextual change occurred in the public health area. After the Cultural Revolution,
the central government concentrated political resources exclusively on economic reforms and growth. While social policies that favored economic development received some support from the state, redistributive policies such as universal health insurance remained enduringly low on the political agenda (CAHP 2003). The overall government share of spending on healthcare dropped from 36.4% in 1980 to 15.5% in 1998 (Health Economics Institute 2001). This logic changed thoroughly in 2002 when the outbreak of severe acute respiratory syndrome (SARS) revealed the effects of a fragile public health system in China. The epidemic of SARS seems to start in South China in late 2002 and spread to other region and countries in 2003. 5,328 cases were found and 349 patients died in China. In the beginning of the epidemic of SARS, the government tried to hide information from the World Health Organization. Because the central and sub-national authorities initially decided to withhold information from the public and took little action against the disease, SARS led to widespread scare and distrust in the government (Huang 2003). SARS became a test for China’s public health infrastructure and exposed many problems in this aging system. To policymakers, a weak public health system both enabled the transmission of infectious disease and produced other social and economic problems, including resulting social disorder, popular discontent on governments, and economic loss (Wang 2003). The SARS outbreak propelled policy makers to prioritize public health on the political agenda. As one result, after 2002 the MOH gained more institutional power and financial resources (Interview4, Fang and Stone 2012), which increased its bargaining power and influence on policy making process.

The contextual factors mentioned above are critical to RCMS reform. Taxation reform improved the fiscal conditions of the central government, and therefore removed part of the previous financial constraint on policy change. The rising importance of rural issues to policy makers in 1990s provided
policy advocates with opportunities to present their proposals and to increase the issue salience of the RCMS. RCMS reform was set on the top government agenda in December 2001, and the policy was formulated during 2002, and was brought into effect in the early 2003. The SARS outbreak played central role to improve the status of the MOH at the state council, which was conducive to the successful policy change. Policy advocates, mostly the experts and officials from MOH, were able to sustain and consolidate the position of RCMS issue on the agenda. The transformation occurring in the public finance, rural, and health public sectors opened a policy window for the RCMS reform. Under this circumstance, from the late 1990s to 2002, pro-reform advocates had better chance to persuade policy makers to recognize the severity of rural health problems and to improve the existing RCMS schemes.

**Actors, access and influence**

The officials within the bureaucratic system, particularly in the Ministry of Health and the State Planning Office, experts and scholars in domestic medical academies as well as international organizations assumed important roles in facilitating agenda setting and policy change. Three characteristics of RCMS resulted in this elite advocacy model in the policy change.

First, the target population of the RCMS was the rural population. As mentioned earlier, Chinese peasants had no mass organization to represent a unanimous health interest to the national policy community. Thus, the rural areas had difficulties in promoting reform.

Secondly, although problems caused by the collapse of the RCMS affected a larger percentage of the population in the rural areas of China, the occurrences of death, chronic illness, and bankruptcies that resulted from the absence of health insurance happened individually and, in most cases, quietly. These incidences seemed less dramatic and threatening. Therefore, the media and
public rarely paid attention to what seemed to be individual personal problems, not a policy crisis. Without heightened media coverage and public attention, the RCMS did not earn sympathy and support from other social groups, and appeared dormant on public agenda and political agenda.

Thirdly, rural public health issue had high complexity. It required the participants in the policy making process to have extensive knowledge on this issue. Regular Chinese without basic information on the RCMS had little interest in its reform. Experts and technical bureaucrats possessed a strong professional background on health issues, and had the highest quality information. They became the most active participants in the policy community of the RCMS.

These factors resulted in the elite advocacy model of the RCMS reform. This section is devoted to analyzing the influence that each major actor made in the agenda setting process and comparing the access they had to influence problem recognition and issue salience.

**Domestic officials and experts as policy entrepreneurs**

Since the early 1980s, three groups of reform advocates were dedicated to changing the perceptions of policy makers on the RCMS. Their efforts made varying effects on agenda setting and policy change. The first group of policy advocates consisted of the experts from medical academies and officials from the Ministry of Health (MOH) as well as the local bureaus of health. The organizer of the journal *Chinese Rural Health Administration* and Professor in Anhui Medical University, Zhu Aorong, the former leader of the Department of Medical Administration at the MOH, Zhang Zikuan, and the former Ministers of the MOH, Qian Xinzhong (1979-1982) and Chen Minzhang (1987-1998), the deputy minister of MOH, Zhu Qingsheng, and Professor Hu Shanlian, the China’s leading medical economist and professor in Fudan University--all were actively involved in investigations and surveys during the mid 1980s to mid 1990s. Once the RCMS collapsed in many villages, these
experts and officials, along with many local physicians, were aware of this problem. Since 1985, they pointed out the rural health problems at government conferences, in published research reports and policy advice letters. As table 3.2 illustrates, from 1985 to 1990, most of investigations on rural health were made by experts and officials from MOH, local BOH ands, domestic medical institutes. For instance, in 1990, the MOH conducted an investigation which selected four counties for random sampling surveys. More than 80% of the respondents preferred the RCMS to other health insurance plans (Cao 2010). In the same year, a county bureau of health in Jiangsu province made interviews with 1528 households in six towns. The result indicated that 97.97% of interviewees supported the restoration of the RCMS (Cao 2009).

In the 1990s, other government departments, such as the State Planning Commission (SPC, which replaced the State Development and Reform Commission, and is affiliated to the State Council and responsible to made most important macro economic and social policies), the State Council Research Office, the State Development and Reform Commission (SDRC), the Ministry of Agriculture, the Ministry of Finance, and the Chinese People’s Political Consultative Conference joined in policy research. The participation of these departments increased the pre-reform forces for the policy change.

Figure3.3 Domestic Institutional Policy Entrepreneurs

Note: The government departments of RCMS reform that were involved in RCMS reform during 1985 to 2002. MOF and SPC had high status and strong bargaining power under the State Council system. MOH was the most related government department, however before 2002, it had weak influence on agenda setting.
Although, the efforts made by these domestic officials and experts did not result in an exhaustive change in 1980s and 1990s, they captured short-lived attention of policy makers in 1990 and 1997. In response to the policy proposals submitted by the MOH, MOA, SPC, the State Education Commission (SEC, formerly the Ministry of Education), and the Ministry of Human Resource (MOHR), the State council approved and promulgated “Reformed and Strengthened Rural Medical and health Services” (State Council 1991). In 1996, the MOH convened the first National Medical Service Work Conference.” After the conference, the Central Committee of Chinese Communist Party and the State Council jointly issued “Decision on Healthcare Reform and Development.” In this administrative order, the policy makers emphasized the importance of the RCMS to peasants’ health, economic growth and social stability in rural areas without a significant increase in budgetary support for the operation of the RCMS.

As figure 3.4 illustrates, the RCMS coverage of administrative villages in 1990s was slightly larger than 1980s. Although the influence of the MOH officials and public health experts on promoting RCMS reform was limited, the efforts made by the MOH and public health experts increased the issue salience to policy makers and other influential senior officials, and in this way they accumulated more pro-reform support within the state. What’s more, from the investigations and policy experiments in 1980s and 1990s, they collected important information regarding policy problems and prepared many solutions to address these problems.

Figure 3.4. RCMS coverage from 1985 to 1998
Experts in international organizations as policy Entrepreneurs

The second group that influenced problem definition and agenda-setting of the RCMS came from the world outside China, and was composed of the public health experts in World Health Organization (WHO), United Nations Children’s Fund (UNICEF), Rockefeller Foundation, World Bank (WB), Asian Development Bank (ADB), scholars from Harvard School of Public Health, and experts sent by British government. China’s central government intimately worked with these international organizations and foreign institutes in rural health investigations in the 1990s.

On the one hand, international organizations and foreign experts had strong interest on health inequalities and poverty in rural China. Because China is a large, developing, and populous country, its reform of the rural healthcare system not only affected China’s rural population, but also provided many experiences and lessons to other developing countries (Zhang 1993, Liu 2004). Therefore, organizations such as WHO sent research teams to China frequently in 1990s and needed assistance from the China’s government to conduct their research. On the other hand, public health was one of fields in which China’s policy makers were willing to hear advice from the international community. Especially in the beginning of the economic reform, the top leaders at the central government felt an
urgent need to learn from the outside, because they lacked experience in designing economic and social policies (Interview4 and 1).

As table 3.2 shows, most of surveys made after 1993 were conducted jointly by domestic and foreign institutes. The common pattern of cooperation was that international organizations sponsored the investigations, while China’s government departments, such as the State Planning Commission (SPC) or the MOH, organized and led the investigation teams. In some cases, foreign experts from international organizations or academic institutes provided advice and technical assistance. The project “China’s RCMS Reform Pilot Investigation” was jointly conducted by SCRO, MOH, MOA and WHO from 1993 to 1994 and from 1996 to 1997).

Table 3.2. Investigations and research from 1983 to 2002

<table>
<thead>
<tr>
<th>Year</th>
<th>Chinese surveys on rural health issue</th>
<th>International surveys</th>
<th>Contextual Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td></td>
<td>World Bank</td>
<td></td>
</tr>
<tr>
<td>1985-93</td>
<td>MOH and the RAND Corporation(U.S.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1987</td>
<td>MOH and Anhui Medical University</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1988-90</td>
<td>MOH, Policy and Management Experts Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>MOH, A bureau of Health in Jiangsu Province</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1991.3</td>
<td>MOH and State Planning Commission (SPC)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1991.5</td>
<td>Chinese People’s Political Consultative Conference</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td></td>
<td>World Bank</td>
<td>Rural riots</td>
</tr>
<tr>
<td>1993-97</td>
<td>MOH, State Council Research Office and World Health Organization(WHO)</td>
<td>WHO(Jointly)</td>
<td></td>
</tr>
<tr>
<td>1993</td>
<td>MOH(First National Health Service Survey)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>SCRO, Ministry of Agriculture(MOA), MOH, WHO</td>
<td>WHO(Jointly)</td>
<td>The rise of rural issue</td>
</tr>
</tbody>
</table>
The intimate cooperation between foreign experts and domestic officials created great chances for the former to influence Chinese bureaucrats and decision makers. As Liu and Rao (2006) state, the primary reason that the research made by Harvard team and Asian Development Bank (ADB) successfully influenced the perceptions of decision makers toward RCMS problems is that these foreign experts closely worked with domestic officials and scholars; and that in the end of this research, they presented research report to China’s leading ministers, economists, and then to top leaders through the connection between participants and decision makers.

In addition, research made by foreign organizations often had large influence in international circles. The doubts and criticisms from outside could form considerable pressure on China’s decision makers. Taking example of the 2000 WHO report, decision makers and media were very sensitive to the ranking in this report in which China was ranked 144 of 198 on the overall health service evaluation, and ranked at the bottom on the fairness of healthcare indicator (WHO 2000). As an important policy advocate recalled, top leaders at the party-state were shocked by this ranking because for long time they were proud of their accomplishments in reducing poverty and improving overall living standard of the rural population (Zan 2013).

As a result, the experts from international organizations played an unexpected role in increasing
issue salience and reshaping the perceptions of policy makers on the RCMS. The investigations and research made in 1990s, because of their deep involvement, were more compelling to China’s decision makers. Besides, the policy proposals they prepared in research were very helpful to the policy formulation in the early 2000s (Hsiao 2005).

The lobbies for the RCMS reform in winter 2001

Due to the barriers discussed earlier, for a long period of time, policy makers were indifferent to the RCMS problems. In 1980s and 1990s, domestic and international policy entrepreneurs made many efforts to increase the issue salience to decision makers. Nonetheless, the severity of policy problems and urgency of reform were not completely recognized by China’s top leaders. Poor health conditions in the rural areas seemed not threatening enough to shift attention of policy makers from more pressing issues. The most important lobbying efforts were by Health Minister Zhang Wenkang (1998-2003) and the deputy director of the State Planning Commission Li Jiange in winter 2001, which directly led to a thorough change in the perceptions of policy makers toward the RCMS and rural health issue.

Minister Zhang Wenkang’s lobbying was built on the research sponsored by the Asian Development Bank. It is a successful case in which senior officials incorporated information from the outside, reframed the issue, and then used personal connections to present policy advice to decision makers. In 2001, Health Minister Zhang Wenkang sent a brief personal letter to President Jiang Zemin. This letter had been created by Dr. Rao Keqin, co-author of the ADB 2001 research report, and based on a seventy-page seminar report. In July 2001, after the ADB research report was completed, the State Planning Commission organized an international seminar to present findings from the report to China’s top leadership. Over seventy participants attended this seminar, including
ministers, provincial officials, leading economists, and international experts. A briefing paper on this seminar was produced and sent to the office of Premier Zhu Rongji. Yet, the SPC and the MOH did not receive response from the Premier. Health minister Zhang Wenkang, after reading the report, asked Dr. Rao to send copies to more leading agencies in public health section and then sent the letter mentioned above directly to President Zhang. This letter, which stressed the prevailing illness-induced poverty in the rural areas, immediately captured President Jiang’s attention. He called minister Zhang next day after receiving the letter. A few days later, two officials of the Policy Research Office of Central Committee of Chinese Communist Party visited Zhang’s office. In November, 2001, the Office of Economic System Reform at the State Council was formally in charge of studying a new rural health policy (Liu and Rao, 2006).

The other successful lobbying effort was made by a senior official at the State Planning Commission. In December 2001, Li Jiange, the deputy director of SDPC made a presentation at a top meeting held by President Jiang Zemin. It was a high level inner meeting in which only ten people were invited to attend. Deputy Director Li Jiange’s presentation was expected to only cover rural unemployment rate and the rural finance issue. However, Li spent large part of time in the presentation to report rural health problems. Li emphasized the adverse overall consequences of the absence of health insurance and the poor medical conditions in rural China, and highlighted the low ranking of China on health fairness in the 2000 WHO report to his audiences. In the end of this presentation, Li criticized the long-term inattention of officials at the central government on rural health issues, and proposed that the state should significantly increase fiscal expenditure on RCMS to improve the health and medical conditions in the rural areas (Zan 2013).

The information Li presented at this meeting was collected mainly from the surveys sponsored
by the State Council since 1999. As mentioned earlier, given the weak status of the MOH at the State Council, it was hard for the MOH officials to get the issue on the political agenda. To reform the existing RCMS required a great amount of budget and political resources. The MOH had difficulties to earn support from other ministries, especially the Ministry of Finance (Interview 4 and 5). The State Planning Commission, where Li came from, was a cross-ministries agency and the most powerful department in the cabinet. This agency had stronger power to overcome the oppositions from other ministries and foster consensus on policy change. What’s more, senior officials at the State Planning Commission had more chances to directly join decision-making than their counterparts in other ministries. Li had better position than MOH officials to influence decision makers. Li’s presentation to the meeting led by President Jiang Zemin was very successful. President Jiang contacted Health Minister Zhang Wenkang after this meeting. And the deputy Health minister Zhu Qingsheng was called by the Policy Research Office of Center Committee of CCP to make further policy consultancy on this matter.

It is difficult to tell which lobby in 2001 was more important to the agenda-setting or decisive to change the mind of the decision makers. But Li Jiange was viewed as the most influential official in the process of the RCMS reform by his colleagues from both the State Planning Commission and the MOH. In 2013, Li became the winner of China’s top medical prize for his prominent contribution on rural health insurance reform. The former deputy minister of the MOH, Zhu Qingsheng, said, Li played a vital role in RCMS reform. Without his brave and constant efforts, the decision makers at the party-state would not make a sweeping change to initiate RCMS reform in 2002. However, his efforts on promoting the RCMS reform did not bring brighter career future for Li. In 2003, the State Council witnessed a large structure reform which changed the State Development and Planning
Committee (SDPC) to the State Development and Reform Committee (SDPC). Li, as senior official of SDPC, did not enter this new core agency. In 2008, he left the government service. Many years later, when Li accepted interview by the journalist, he can still recalled the survey experience in 1999. The aging and miserable conditions of rural clinics and poor peasants’ left him deep impression and encouraged him to pursue the reform of this healthcare system (Interview 7).

The common features Deputy Director Li and Minister Zhang had in their lobbying processes are:

1) They possessed intimate personal or formal connection with top decision maker, President Jiang. And they used this connection to present the pressing problem to the President. Minister Zhang was close friend and former coworkers of President Jiang (Liu and Rao 2006). Li’s influence stemmed from his position at the SPC.

2) Compared to regular officials, and experts outside the system, Li and Zhang had better insights about what thoughts and concerns decision makers had. In their lobbying, they highlighted the cause and effect relation between the absence of rural health insurance and rural impoverishment as well as social instability. This issue definition and interpretation reframed RCMS issue from a rural health problem to a social and economic issue which affected the core interest of the party-state. In this way, their lobbying captured and retained the attention from policy makers.

Analysis: Elite Advocacy, contributions, and constraints

The first national rural health policy conference was held in 2002. In this conference, the important decision of reforming the RCMS was made. The new rural cooperative medical system pilots went into effect in 2003. By 2013, the coverage of NRCMS had expanded to 98.3% of rural population, and the government subsidies totaled RMB280 Yuan per person, which accounted for
over 82% of total premium (Bai 2013). By all accounts, the reform has achieved great success in providing rural population basic health insurance and protection.

In twenty years, RCMS reform developed from an unobtrusive issue to the priority of governmental agenda. This case study traces the development of the RCMS reform on the governmental agenda. It finds that the policy reform occurred when policy makers’ perceptions on the issue changed.

The RCMS issue was a multifaceted problem, which can be viewed as a legacy of the Cultural Revolution and the Planning Economy, or a public health problem with affected some uninsured peasants, or as a critical social and economic problem which could lead to the prevailing poverty and social instability in the rural areas of China. When the issue was framed in the third way, the policy makers’ perception of the RCMS was thoroughly different from perceptions arising from the first and second definitions. The issue salience and problem severity increased drastically. And accordingly, rebuilding RCMS was not only a policy to improve rural health conditions, but also a strategy for stability and sustainable development in rural areas (Central Committee, State Council 2002 and 2003). The remarkable change on issue definitions gave a critical answer to the question why China’s policy makers ignored RCMS problems and hesitated to invest its limited fiscal resource to address these problems in 1980s and 1990s, whereas they set RMCS reform as the top priority on the governmental agenda in 2002.

This case suggests the importance of elite advocacy in issue redefinition, agenda setting and policy reform. Peasants, the policy recipients, had no mass organization or representative to speak for them in the national policy making process. They lacked strong political skills to articulate their interest and to earn support from other social groups. The Ministry of Health, because of its low
status at the State Council, could not successfully promote agenda-setting either. Due to the nature of this issue, the policy problems did not attract much attention from the media and the public.

Under this circumstance, the MOH officials, Chinese public health experts, and the experts from international organizations constantly explored the problem, sought for solutions and using their networks to influence policy makers. The scope of conflict (Schatterschneider 1960) expanded with the involvement of elites who had strong professional background, rich political network and high quality information regarding the policy problems. As of the late 1990s, China’s top leader gradually paid more attention to rural problems and public health issue.

Meanwhile, by the mid to late 1990s, the central government had stronger fiscal capacity than it did the 1980s and the early 1990s to fund a large redistributive policy. In this environment, two senior officials from the State Planning Commission and the Ministry of Health seized the opportunity. Based on their rich experience interacting with leaders, they knew the thoughts and preferences of decision makers better than regular bureaucrats and researchers. The senior officials reframed the issue and interpreted the research results in the way that policy makers were more likely to be convincing. The causal relation between rural impoverishment and the collapse of the RCMS left a strong impression on President JiangZemin. These two officials convinced key decision makers to embark on reform of the RCMS.
Chapter 4 The Reform of Urban Demolition Policy

In 2011, the State Council issued the Expropriation and Compensation of Buildings on Stated-Owned Land Regulation (hereafter cited as “2011 regulation”) to replace the Urban Building Demolition Management Regulation (hereafter cited as “2001 regulation”). It is an important change in China’s urban demolition policy. The 2011 regulation gives homeowners more right to protect their property rights before and during demolition, right absent in the previous policy.

The policy change received wide range of attention from individuals and groups inside and outside the state. This issue rose and fell on the governmental agenda for seven years from 2003 to 2009. During this period, the demolition regulation received an increased number of criticisms for its apparent flaws and poor performance in regulating demolition of existing buildings as China went through rapid urban development. The demolition regulation was considered responsible for unfair compensation and forced demolition (Cai 2009). Reforming this demolition policy was set as a priority on the governmental agenda in 2009. This chapter is devoted to describing and analyzing why policy change occurred.

Policy and policy problems

The 2001 demolition regulation was first issued by the State Council of China in 1991 and revised in 2001 with slight changes. The regulation assumed a critical role in urban renewal and real estate development in China.

Between 1989 and 2001, the State Council, the Ministry of Finance (MOF), the Ministry of Construction (MOC, the predecessor of the Ministry of Housing and Rural-Urban Construction, established in 2008), the Ministry of Land and Resource (MOLR) and the Standing Committee of National People’s Congress (SCNPC) produced 11 policies in the forms of laws, regulations and
executive orders to regulate the behaviors of key actors in city planning and the land market. The demolition regulation was one of these policies.

Table 4.1. Policies related to urban land transaction

<table>
<thead>
<tr>
<th>Policy</th>
<th>Year</th>
<th>Policy Makers</th>
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<tbody>
<tr>
<td>City Planning Law</td>
<td>1989</td>
<td>National people’s Congress</td>
</tr>
<tr>
<td>Temporary Act on Management of Revenue from State-Owned Land Use Right Transaction (First Version)</td>
<td>1989.5</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>Temporary Act on Management of Revenue from State-Owned Land Use Right Transaction (Second Version)</td>
<td>1989.7</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>Urban Building Demolition Management regulation (First version)</td>
<td>1991</td>
<td>State Council</td>
</tr>
<tr>
<td>Temporary Regulation on Management of Revenue from Urban State-owned Land Transaction</td>
<td>1992</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>Urban Real Estate Management Law</td>
<td>1994</td>
<td>National people’s Congress</td>
</tr>
<tr>
<td>Housing reform</td>
<td>1998</td>
<td>State Council</td>
</tr>
<tr>
<td>Urban Building Demolition Management regulation (First version)</td>
<td>2001</td>
<td>State Council</td>
</tr>
<tr>
<td>Land Management Law</td>
<td>1998</td>
<td>National people’s Congress</td>
</tr>
<tr>
<td>Property law</td>
<td>2007</td>
<td>National people’s Congress</td>
</tr>
</tbody>
</table>

Like many other rapidly developing economies in the late 20th Century, China underwent vigorous urban renewal and urbanization. Many Chinese cities converted from outdated small towns to metropolitan areas with advanced and convenient public infrastructure, which created a good
environment to attract investment and boost further economic development. New apartment buildings also provided many urban residents with better living conditions. The policies listed in Table 4.1 were responses to and important shapers of this transformation. City renewal and economic development were priorities of both 1991 and 2001 versions of the demolition regulation (State Council 1991, 2001 chapter 1, article 1).

Nevertheless, it soon became clear to many observers that the 2001 regulation contained several critical flaws. This policy regulated the behavior and responsibilities of local governments, demolition teams (which were authorized by real estate developers) and homeowners in demolition decision making, compensation, demolition operation and dispute resolution. The regulation gave three actors unequal right and power in the decision making of demolition and compensation price.

**Policy flaws**

The first apparent policy flaw was that the demolition policy did not give those whose homes or buildings were going to be demolished necessary right to participate in demolition decision making. According to the 2001 demolition regulation, the decision making process was controlled by municipal or county governments (State Council 2001, Chapter 2, Article 6). To conduct demolition, developers and demolition teams were required to apply for the demolition approval (拆迁许可证) from local governments (Chapter 2, Article 7). Once they received approvals, the demolition teams released notifications regarding demolition dates, removal deadlines, procedures and other details of demolition to those whose homes or buildings were going to be demolished (Chapter 2, Article 8). According to China’s land ownership system, urban land is owned by the state and is not private. Local governments had authority to plan and manage urban land usage right for land seizure, acquisition, demolition and construction. Urban building owners had a 70-year building
ownership instead of the land ownership (National People’s Congress Real Estate Management Law 1995 and 2007). During the 70-year period, if the dismantling side wants to demolish the building, it needs to offer the owners of home or buildings for removing their property. Therefore, according to the demolition regulation and other related urban land policies, those whose homes or buildings were going to be demolished had no right to influence the usage of the land or challenge demolition decisions. Their position in the decision making process was weak.

The second flaw of the demolition regulation is involved with demolition compensation. The 2001 demolition regulation said that after notification, developers should set compensation and negotiate with those whose homes or buildings were going to be demolished (Chapter 3, Article 22-24). However, this policy had vague standards regarding compensation plans. It didn’t provide clear articles to regulate how the compensation package was made and who was going to supervise whether the compensation offered by developers was reasonable or not. Like the demolition decision making process, the compensation decision making process was not transparent either. In addition, since the negotiation on compensation occurred later than demolition decision notification in the procedure, whether or not those whose homes or buildings were going to be demolished accepted the compensation would have little impact on the whole demolition project.

The third and most controversial flaw in the 2001 demolition regulation is its dispute resolution mechanism. Demolition should be completed as swiftly and effectively as possible (Chapter 1, article 1). When an individual’s interest conflicted with the collective interest which was defined by local authorities, the individual should surrender to the latter. While building owners had the right to pursue administrative arbitration and a lawsuit when they were not satisfied with the compensation, demolition would continue during their appeals (chapter 2, article 15). If the dispute surrounding
demolition and compensation was not resolved through these procedures, local governments still had authority to conduct administrative forced demolition (chapter 2, article 17).

Critics argued that the demolition regulation gave local governments and developers excessive power at the phases of demolition decision making, compensation negotiation and demolition operation. By contrast, those whose homes or buildings were going to be demolished, as the key policy recipients in this case, rarely had power and right to influence these decisions that strongly affected their properties and lives. Overall, the principle of this demolition policy was to create favorable conditions for urban renewal and construction rather to protect the rights and interests of building owners.

Policy problems

Such unequal power distribution in the policy arrangement produced many problems, in particular unfair compensation for building owners, forced eviction and demolition, and, as a result, growing popular discontent toward local governments. Many home owners facing demolition adopted illegal methods to resist demolition, which sometimes earned better compensation conditions for them and sometimes led to forced demolition. The policy problems caused increased number of petitions by those whose homes or buildings were going to be demolished to various levels of government. The public discontent toward the urban forced demolition and the policy itself were reflected in polls and surveys.

Nail house and forced demolition

Among the most well known recalcitrant home owners were the so-called “Nail Houses” (Dingzihu) because they stood out like nails that were hard to remove, or households resisting eminent domain. By resisting, homeowners either sought to increase compensation in the bargain
with developers or local officials or protected their property and refused to be relocated. Yet, being a nail house, according to 2001 regulation, was illegal, and therefore ran high risks. In some cases, demolition teams and developers forced residents to leave by cutting off electricity, gas, water or at worst threatening or hurting their owners. According to the demolition regulation, the local government had authority to conduct forced demolition of the building. In the confrontation between nail house and demolition teams, forced demolition sometimes caused property damage and even injuries and death. Although forced demolition accounted for only a small proportion out of all demolitions nationwide, once the forced demolition happened, it severely hurt the evicted and adversely eroded social justice. These forced eviction and demolition incidents also got a lot of attention in local media and among local residents. As the secretary of the Real Estate Office at the Ministry of Construction (MOC) recalled, in 2003 and 2004, she had to rush to the sites where serious forced demolitions took place to mediate the conflict between local officials and those whose homes or buildings were going to be demolished. This kind of crisis management became the top one job for her group in this period (Xie 2009).

Petitions

The unfair compensation and forced demolition led to increased number of petitions. From 2003 to 2006, nearly 40% of petitions accepted by the State Bureau of Letters and Calls (the agency charged with responsibilities to deal with nationwide petitions) were on the matter of forced demolition. Forced demolition cases account for 70% to 80% over petitions to the MOC (Yang 2009).

A senior official at the MOC said in 2003 and 2004, more and more petitioners came to the MOC from various regions in China. They asked the MOC for help to address unfair land seizures
and demolitions at the local. Sometimes, hundreds of petitioners surrounded the office buildings of the MOC, stopping officials to present their petitions (Xie 2009).

**Popular discontent**

Forced demolition aroused dissatisfaction and discontent toward the local governments. Measured by the number of posts and comments of three largest bulletin board systems and two microblogging services, from 2007 to 2009, forced demolition incidents retained the top 10 Chinese annual online hot topics (China’s Academy of Social Science 2008, 2009, 2010). Public discussions regarding forced demolition were often related to abuse of power, corruption and criminality (Cai 2009). From the perspective of officials, the apparent popular discontent resulting from widespread urban demolition seemed threatening. From 2004 to 2008, in the surveys that the Central Party School and the Academy of Social Science made on the perceptions of local leaders toward social problems, “urban forced demolition” was ranked by provincial officials among the top 15 problems which threatened social stability. Forced demolition had become a social problem which severely affected public attitudes and trust on the government (China’s Academy of Social Science 2005 to 2009).

**Problem origins**

The policy arrangement of the demolition regulation constructed the unequal power distribution between those whose homes or buildings were going to be demolished, local governments and real estate developers. This section focuses on the economic, institutional and social factors that shaped the interest conflict between three actors.

**Economic factor: 1998 Southeastern Asia Financial Crises, Housing Reform, Real Estate**
Industry

The development of real estate industry in China was a significant macro factor that shaped the interests of three actors in the policy subsystem. The role of real estate developers became more important in land seizure and demolition beginning in 1998, when China’s Housing Reform ended the 50 year-old system of welfare housing allocation. Under that system, urban housing was part of benefits for employees. Work units (danwei) managed and leased housing to employees. Housing Reform dismantled this system and created an immense market for the new real estate industry. Meanwhile, policy makers formulated a package of policies to create favorable environment for real estate industry. For instance, the Real Estate Law allowed developers to purchase land usage rights from local governments, which invigorated the demand for urban land.

The incentive of the central government to develop urban housing market and real estate industry was to save China’s economy. Asian financial crises affected China in 1998, which had affected most East Asian countries and regions since July 2007, including Thailand, South Korea, Indonesia, Laos, Philippines and Hongkong, and raised fears of worldwide economic meltdown. The possibility of a great economic recession was discussed within the central government (Xie 2009). Under this pressure, leaders sought for new promising industries to maintain high-speed economic growth. Real estate became their hope, first because policy makers believed that after nearly 20-years economic development, many newly affluent Chinese families sought to better their housing conditions by purchasing larger apartments. Real estate development also could help other industries, including raw materials, steels, automobiles, decorations, appliances, and so on, and in this way it would become the new pillar of national economy (Xie 2009). In these years, real estate industry kept rapid growth. There were 37,123 real estate enterprises in China, 2003. This number rose to
58,710 in 2006. In this period, the revenue of real estate industry grew from USD 1.1 billion dollars to 2.29 billion dollars. This industry witnessed a rapid expansion and growth (China’s Statistical Yearbook 2009).

Figure 4.1. Growths in number of real estate enterprises and their revenue from 2003 to 2011.


Total revenue in 2003 is RMB 9.137 billion yuan, which is equivalent to USD 1.1 billion dollars (the U.S. China exchange rate is 8.27); 2006’s revenue is RMB 18,046 billion yuan, about USD 2.29 billion dollars (exchange rate is 7.98)

Public Finance: Taxation reform and the local revenue from land transaction

The development of the real estate industry created large demand for urban land. According to the City Planning Law (National People’s Congress 1989), local governments were responsible to manage the state owned land in urban areas, which means that local governments were essentially the only supplier in urban land market. In addition, the central government allowed sub-national governments to keep most of revenue from land transfer (See table 4.2). Taxation Reform starting in 1994 provided local governments strong incentives to seize urban land and sell the land usage right to real estate developers.

In 1994, in order to raise its revenue, the central government started to reform the taxation
system. This reform shifted a large amount of tax revenue from the local to the central government. As table 4.3 shows, the central government share in national revenue climbed from 33.8% in 1990 to 49.4% in 2011. During the same period, the share of sub-national governments underwent an evident decline from 66.2% to 50.6%. At the same time, the growth in expenditure responsibilities for local governments exacerbated their fiscal problems. The Hu Jintao and Wen Jiabao administration, inaugurated in 2002, launched a serious of welfare campaigns in their terms to maintain social stability and relieve social tensions that were caused by widening income gap. Local governments assumed major responsibilities in delivering welfare policies, which increased the expenditure of sub-national government remarkably. The share of the central government in national expenditure was 32.6% in 1990, while it dropped to 15.1% in 2011. The share of local governments increased from 67.4% to 84.8% (See table 4.4). Increased expenditure and decreased tax revenue posed heavy fiscal burdens on local governments. Although the Chinese central government made a large number of intergovernmental transfers to bolster local finance, there were still 5 percent fiscal deficits on average among sub-national governments (Dollar and Hofman 2006).

Table 4. 2. Shares of center, provincial and municipal government on tax revenue

<table>
<thead>
<tr>
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<th>Central government(%)</th>
<th>Provincial government(%)</th>
<th>Municipal government(%)</th>
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<tbody>
<tr>
<td>Value added tax</td>
<td>75</td>
<td>---</td>
<td>25</td>
</tr>
<tr>
<td>Consumption tax</td>
<td>100</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Enterprise income tax*</td>
<td>60</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>Individual income tax**</td>
<td>60</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>Vehicle purchase tax</td>
<td>100</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Local education supplementary tax (Municipal)</td>
<td>---</td>
<td>10</td>
<td>90</td>
</tr>
</tbody>
</table>
* The central government earns all tax revenue from intra-provinces state-owned enterprises, finance, railway and oil enterprises
** Individual income profit tax is only raised by the central government
*** Others: Business tax, operation tax, tax for maintaining and building cities, stamp tax, education supplementary tax, urban land use tax, housing property tax, resource tax are raised by the municipal government


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<tbody>
<tr>
<td>Central government (%)</td>
<td>15.5</td>
<td>33.8</td>
<td>52.2</td>
<td>53.3</td>
<td>49.4</td>
</tr>
<tr>
<td>Local government (%)</td>
<td>84.5</td>
<td>66.2</td>
<td>47.8</td>
<td>46.7</td>
<td>50.6</td>
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Table 4.4. The composition of government expenditure, selected years, 1978-2011

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<tbody>
<tr>
<td>Central government (%)</td>
<td>47.4</td>
<td>32.6</td>
<td>34.7</td>
<td>21.3</td>
<td>15.1</td>
</tr>
<tr>
<td>Local Government (%)</td>
<td>52.6</td>
<td>67.4</td>
<td>65.3</td>
<td>78.7</td>
<td>49.9</td>
</tr>
</tbody>
</table>


Widening fiscal deficits impelled local governments to explore new sources of revenue. As the demand of real estate industry for urban land grew strikingly, urban land lease fee from land transaction stood out to be the major income on extra- and off-budget revenue of local governments (see table 4.5).

As a result, in 2000s the revenue from land transaction between local governments and developers made up larger proportion of local revenue than 1980s. In 1998, the amount of nationwide land transfer fees was RMB 6.7 billion, over 0.8% of total local revenue. From 2001 to 2003, the amount of three years’ land transaction earnings reached RMB 910 billion, over 35% of the
total sub-national government revenue in the same period. From 2004 to 2006, the earnings from land transactions account for 50%, 36.5% and 41.9% of whole sub-national government revenue respectively (Yuan 2005).

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</thead>
<tbody>
<tr>
<td>Central government’s share (%)</td>
<td>40</td>
<td>32</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Municipal government’s share (%)</td>
<td>60</td>
<td>68</td>
<td>95</td>
<td>100</td>
</tr>
</tbody>
</table>


Notes: The Ministry of Finance at State Council issues the first version “Temporary Act on Management of Revenue from State-Owned Land Use Right Transaction” in May, 1989. It breakdowns land transaction revenue as 40% to the central government and 60% to municipal government. Two month later, in the second version, it increases the proportion of municipal government over transaction revenue to 68%. In 1992's “Temporary Regulation on Management of Revenue from Urban State-owned Land Transaction”, the share of local government rises to 95%. After Tax Reform, 1994, to compensate for the loss caused by large shift of tax revenue from local government to the central government, all revenue from urban land transaction belongs to municipal government.

Local governments received earnings from burgeoning real estate industry and land market, and on the other hand real estate developers relied on local governments to seize land for their business. In this coalition, developers and officials shared a common interest, which was to seize more land at lower cost. From this perspective, suspended demolition and high demolition compensation prevented developers and local governments from maximizing their interests.

Social factor: Increasing consciousness of property right

Before the 1998 housing reform, apartments and houses that could be freely traded only accounted for a small proportion in cities. In addition, the concept of private property was not widely accepted by the Chinese. In this context, when local officials first began seizing residents’ homes and buildings to make way for development, residents would generally not object to “returning” this property to the state as long as the government promised to allocate new housing to them (Mertha 2009).
However, by the 2000s, homeowners felt necessary to bargain with developers and officials when demolition was detrimental to their interests. As the private housing market replaced the old welfare housing system based on work units, apartments and houses became the most valuable private property in urban China. With increased home prices in cities, the compensation offered by developers in some cases could not make up the loss caused by demolition, let alone improve living conditions for those whose homes or buildings were demolished. Consensus between homeowners and developers became more difficult to achieve. Those whose homes or buildings were going to be demolished sought for various methods to protect their property and rights.

**Policy subsystem and barriers of policy change**

**The privileged groups in policy subsystem**

The demolition regulation was issued by the State Council and enacted by local governments, with the central Ministry of Construction in charge of monitoring its implementation. In this policy subsystem, local governments were given expansive power to control the demolition process. Due to the housing reform and taxation reform, local governments as well as real estate industry became the largest beneficiaries of land seizure and demolition. They formed a solid interest coalition in the subsystem. By contrast, the interests of those whose homes or buildings were going to be demolished were put into a weak position. In this type of interest conflict, as Schattschneider (1960) points out, the interests that enjoy the privileged power position in any situation will want to privatize any conflict, while the interest in the subordinate position will want to change the status quo by expanding the conflict to a broader audience. As vested interests, local governments and developers had strong motivations to sustain the existing policy and resist any change incompatible to their interest. The institutional arrangement of the demolition policy blocked the emergence of new issues,
ideas and particularly the proposals for policy change.

**Bargaining power of the vested interest**

The strong bargaining power of local government in the national policy making process contributed to the persistence of the demolition regulation. Compared to outside actors, local officials had more effective access and stronger personal connections to influence policy makers. Local officials were critical participants in China’s policy making. They represented various local interests and took responsibility to implement policies. It was hard, if not impossible, for policy makers at the center to ignore the concerns of or opposition by local leaders when they set the housing agenda and formulated policy.

Local officials had many kinds of venues and accesses to influence policy makers. Most of leaders of municipal and provincial governments were representatives at the National People’s Congress (NPC) and members of the Central Committee of the Communist Party. In the latest elected Central Committee, among 205 members, 63 were from the State Council and its affiliated agencies, and 55 were provincial officials (Wang 2013). Officials and bureaucrats also accounted for large proportion of the NPC. Local leaders were invited to attend annual conferences of NPC and the Central Committee where local officials had plenty of opportunities to express their concerns on certain issues and policies directly to decision makers at the central leadership (Interview 16).

National work conferences also were convened by various ministries, providing chances for officials at various levels of government to affect the agenda and evaluate current policies together. Many important decisions on governmental agenda setting were made at these conferences. Scholars and other outside actors sometimes were invited to attend conferences, but their influence depended on the nature and need of conferences. In large sense, the agendas of these conferences were
dominated by officials within the state (Interview 15).

The third approach that local officials used to influence policy makers was the “policy suggestion report” (zhengceyijianshu), which was frequently used to facilitate communications between the State Council and provincial officials (Wang and Fan 2013). Before drafts were brought to general meetings of the State Council or the voting of the NPC, policy makers would send reports to provincial governments and several important municipal governments, and local leaders needed to reply to reports with comments, suggestions and criticisms (Interview 14). From policy suggestion reports, policy makers at the State Council were able to know the attitudes of local officials toward certain policies and assessed the opposition they would possibly encounter if they prepared to promote policy reform.

In addition to these regular approaches, the mechanism of bureaucratic selection and promotion helped build intimate connections between the central policy makers and local officials. It was normal to promote provincial officials to ministries and commissions at the central government. Also, officials of the central government were often appointed to lead provincial governments. Thus, local and central bureaucratic systems were not isolated from each other. To the contrary, they might have worked and received training together. Such personal connections provided local officials convenient access to talking to central policy makers directly (Interview 17).

Policy image

The demolition regulation had many facets. It could be defined as a policy that was concerned with economic development, or a as policy that affected private property and social stability. As discussed earlier, the demolition regulation was designed to promote city renewal and urban economic development. Public infrastructure, living environment and city landscape were improved
quickly in 1990s and 2000s. Therefore, it was easy for policy makers to concentrate their attention on the positive effects of the demolition regulation while overlooking its shortcomings (Interview 13). Between 2003 and 2006, the increased number of petitions and local forced demolitions brought new policy problems to attention of policy makers. However, according to feedback from the Standing Committee of the NPC and the State Council, policy makers viewed forced demolitions as isolated cases and appeared conservative to any proposal for policy reform. They tended to attribute these problems to the errors in the policy implementation and dereliction of a few local officials. They had not fully recognized that the policy flaws of the demolition regulation were responsible to many forced demolitions and unfair compensation, and the most effective solution to address these problems was to reform this policy.

Baumgartner and Jones (2009) assert in their research on U.S. policy change that institutional arrangement and the prevailing understanding on the policy are two pillars of the policy monopoly. To break this closed subsystem, new ideas, problem definitions and widening scope of conflict are important for policy change. Many scholars in the study of policy change also emphasized the importance of issue framing and public participation (Cobb and Elder 1971, Bosso 1987).

The reform of China’s urban demolition policy reached the priority of governmental agenda in 2009. Contextual factors, focusing events and petition letters varying degrees facilitated the policy change and agenda setting to. The study shows the dynamic of the demolition policy change and how it is different from or similar with the classic policy change model mentioned above.

**Contextual factors**

Two contextual factors contributed to creating an environment favorable to policy change. The first factor is the rapid growth of home prices in urban areas.
After Housing Reform, the majority of China’s cities underwent increases in home prices. In these metropolitan areas, home price growth was even more pronounced. Even medium cities witnessed drastic growth in home price. For instance, land transfer revenue in Hangzhou, the capital city of Zhejiang Province, totaled astonishingly RMB 120 billion in 2009 (Chen 2009). The land transfer revenue in 1997 was about RMB 600 million (Chen 2004). Its average square meter home price was around RMB 12,472 in 2009, ten times higher than 1999 (Zhang 2010). Hangzhou’s 2009 per capita GDP only increase 5.5 times than 1999 (The Bureau of Statistics Zhejiang, 2010). The per capita GDP growth was far behind the home price growth.

As figure 4.2 shows, in 2009, among ten cities with most expensive house price, the highest ratio of the house price to annual disposable household income is 15 in Sanya, a city in Guangxi province, Southeastern China. This means the mid range price of an 70 square meter apartment in Sanya is 15 times more than what a typical family makes in Sanya in a year. The average ratio of these ten cities is 11.82. Figure 4.3 gives better insights about the house price issue of China in the comparative view. The 2009 average ratio of China’s ten most expensive housing markets surpasses the 2001 ratios of Tokyo (10.0), Sydney (9.2), London (6.9) and New York (6.2).
Figure 4.2. Housing price to household per disposable income for selected cities in China, 2009

Source: the per square meter home prices of the ten cities stem from the data of elivecity, a Chinese think tank for research and policy analysis on housing market and real estate investment. The data is available at http://www.elivecity.cn/html/chengshifangjia/fangjiapaixing/10.html, by April 24, 2014. Applying the IMF and CEIC’s method, this research uses a 70 square-meter home as the total price of urban housing in 2009. Per household in China has 2.91 persons. Thus, the household annual disposable income is the 2.91 times the per capita disposable annual income. The per capita disposable annual income comes from SearchChina, a China-base research center, affiliated to its Japan parent Company. The data is available at http://searchchina.net.cn/citygdp/trends.asp?city=3&city=27&city=31&city=43&years=2003&years=2004&years=2005&years=2006&years=2007&years=2008&years=2009&charts=0&id=50&citys=2, by April 24, 2014.

Figure 4.3. Housing price to disposable household income for selected cities worldwide, 2011

Sources: International Monetary Fund, using CEIC Data; 8th Annual Demographia International Housing Affordability Survey; national statistical offices; and I.M.F. staff estimates. This figure is available at
Explosive home price increases produced many social problems. For instance, due to the one-child policy enacted since the late 1970s, many urban families only had one child. Because of the gender bias in China, nowadays, the gender ratio was quite unbalanced: boys are more than girls. To make their only son more attractive in the competition for brides, their parents were inclined to invest life-saving to purchase expensive apartment for marriage (The Economist 2013). Meanwhile, wealthy families invested in the real estate to make their fortune safe and increase in value. These social phenomena further advanced high demands for urban apartments and as a result, the home price kept escalating rapidly.

In this trend, housing issue became the top concern of the public. Xiaokang Magazine and Sina.com conducted polls from 2005 to 2013 to trace the public concerns over most pressing social problems that affected people’s living standards. According to polls in 2005, 2007, 2008 and 2010, home price/housing issue was ranked top 8, 3, 6 and 2 out of 33 social problems in respective years (See table 4.6).

| Table 4.6. Top ten public concerns in 2005, 2007, 2008 and 2010 |
|------------------|------------------|------------------|------------------|
| **2005**         | **2007**         | **2008**         | **2010**         |
| Healthcare Reform | Medical System Reform | Healthcare Reform | Commodity Price |
| Environmental Protection | Commodity Price | Food Safety | **Housing Price** |
| Social Security | **Housing Price** | Corruption | Healthcare Reform |
| Corruption | Rich and Poor Gap | Environmental Protection | Food Safety |
| Food Safety | Corruption | Social Security | Education Reform |
| Education | Environmental | **Housing Reform** | Housing Reform |
What is more, home price, real estate industry and urban demolition were twisted in public discussion on housing issue. High land transaction fee was considered an important contributor to high home price. When local governments and developers enjoyed the benefits produced by high-speed growth of land market and real estate industry, residents bore high cost of real estate development and city renewal (Cai 2009).

In early 2009, the success of “Dwelling Narrowness” (woju), a television series broadcast, demonstrated the increased sensitivity of the public to urban demolition and housing issue. The story portrays the difficulties of buying an affordable home in city and a series of problems caused by high housing price and real estate bubble to regular Chinese families. This realistic episode depicted plenty of details and stories of urban housing problems, real estate industry and demolition. It reflected how corrupt local officials were in land transaction. It also showed audience the interest conflicts between developers and those whose homes or buildings were going to be demolished.

As the first episode that focused on forced demolition and urban housing market, “Dwelling Narrowness,” became the most successful and popular episode in 2009. The novel, with the same name on which this episode based was a best seller in 2009. The episode aroused nationwide discussion regarding urban home prices, corruption and forced demolition (Teng 2014). It also generated controversy in the press and society so that the television show was banned in the end of
2009 (Teng 2014). Many young professionals and new middle class in China’s emerging metropolitans asked the same questions after watching this episode: “where could we live in the cities with incredibly high home prices? Why we people have to spend whole life savings to get tiny apartments to support greedy local officials and developers?” (Cai 2009).

Wealthy families in China were eager to invest in real estate to increase their fortune. Investment on real estate constructed the largest proportion of fixed assets investment (Statistic Year Book 2006-2009). However, lower income families were not able to afford even an apartment. High price of urban housing increased living expenses as well as their frustration and discontent. As real estate became the key factor widening the polarization of wealth, discussion surrounding urban demolition was associated with economic inequality and social justice in cities. The coalition of real estate industry and local governments was depicted as collusion, corruption, bribery, and abuse of power. These problems frequently showed up in the public debate and media headlines.

By the late 2000s, the public was more sensitive to home prices and other related problems, such as urban demolition. What is more, the issue definition of urban demolition changed in this context, which converted from the interest conflict between developers and those whose homes or buildings were going to be demolished to a social problem where high home prices were related with economic inequality, injustice, real estate bubble and corruption and other misconducts of local officials in China. A broader size of population was exposed to and identified with demolition problems, which created a national mood conducive to policy reform.

The second contextual factor is an institutional change. The passage of the Property Law opened a policy window for the reform of demolition regulation. In March 17, 2007, the first Property Law of China was passed by the NPC. It provided equal protection to state-owned, collective and private
properties. According to article 42, “For common interest and needs, the government may expropriate land and buildings owned by units or individuals. Expropriation should adhere to laws, provide compensation to the evicted, and protect their rights and living conditions” (Property Law 2007). With the passage of this law, legal scholars and experts could contend that existing urban demolition regulations violated homeowner rights, and therefore they should be abolished. The promulgation of the Property Law built a strong foundation for the reform of the existing demolition policy.

The facilitating forces of policy reform and the reaction of policy makers

From 2003 to 2009, the reform of the demolition regulation rose and fell on the governmental agenda. This section traces the development of this issue on the agenda. It shows how the changes of issue definitions, focusing events and the involvement of new actors facilitated the policy reform and the ways in which policy makers responded to these changes.

Petition letters of policy review 2003

The first effort made by actors outside governments to modify current policy dates back to 2003. In July 2003, two years after the enactment of the 2001 demolition regulation, a group composed of 116 homeowners, lawyers and legal experts created a petition by delivering mail to the Standing Committee of National People’s Congress. The person who initiated this petition was a regular resident, Liu Jincheng in Hangzhou, the capital city of Zhejiang Province. In July 2002, Liu and other hundreds residents in his community were informed by a local real estate developer that their buildings would be demolished to make way for the construction of new luxurious apartments, and that residents were required to leave between July 20 and September 19, 2002. Over 30 households refused to sign relocation contracts with developers due to disputes on compensation. In interviews,
Liu said that citizens should have the right to decide how to deal with their own properties and that the demolition procedure regulated by the existing demolition policy violated the Constitution (Sheng 2003). Many local lawyers joined this petition. Perhaps more important, it was also supported by the deputy director of the secretary office in the Standing Committee of the NPC, Cai Dingjian, who was also a professor and legal expert at the China University of Political Science and Law. Cai constantly advocated for reform of the demolition regulation in following seven years by publishing articles and commentaries on magazines and shaping issues in public discussion. The composition of this petition group demonstrated that new actors, including experts, policy entrepreneurs in bureaucratic system and legal scholars had become involved in the conflict. They were the first population other than the evicted that publicly articulated the problem caused by urban demolition.

The leaders of the Standing Committee of the NPC and the State Council responded to their petitions (Sheng 2003). Deputy Premier Zeng Peiyan ordered the Ministry of Construction to conduct an investigation on this case with legal experts inside and outside the state. The Conclusion of this investigation reached by experts of Ministry of Construction and legal scholars was that Urban Land Building Demolition didn’t violate the Constitution. The petition for reviewing policy was rejected.

While the 2003 petition is an unsuccessful attempt to initiate policy reform from the outside, it was important since, for the first time, the interest conflict in the policy subsystem was exposed to a broader law community and policy makers.

**Individual Petitions and Focusing Events, 2003 and 2004**

As discussed earlier, in 2003 and 2004 the petitions on the matter of urban demolition increased notably. Many individual petitions went to the Ministry of Construction, which had no authority to
set the agenda. Under China’s political structure, the Central Committee of the Chinese Communist Party and the State Council have authority to make governmental agenda. Other ministries and government departments can propose policy advice and influence decision makers, but it depends on top leadership in these two agencies to decide which issue is going to be created on the agenda. Therefore, petitions didn’t make decision makers at party-state recognize the severity of policy problem.

In 2004, a focusing event that occurred in Hunan province successfully captured the attention of Premier Wen. May 2004, in Jiahe County, Hunan Province, the county government intended to demolish a neighborhood where more than 1,100 households, and 20 enterprises or institutes were located to make way for construction of a central business district. Many residents refused to be evicted. County government warned that owners of all “nail houses” would suffer punishment. For instance, if the nail-house dwellers were employed by state-owned or collective enterprises, their resistance could result in their being laid off. The county government used a slogan to warn, “if you dare to postpone Jiahe’s demolition and development, Jiahe is going to postpone your whole life.” This slogan was widely criticized and satirized by journalists and scholars (CCTV Report 2004). More important, some residents in this planned redevelopment zone were teachers, retired officials, and doctors who possessed a higher degree of political consciousness and who had more connections and influence in the local community and media. As a result, the Jiahe incident was reported by national media agencies, such as China’s Central Television (CCTV) line, Xinhua News, People Daily.

These reports captured the attention of top leaders. On June 4, 2004, Premier Wen Jiabao, brought the Jiahe incident to the general meeting of the State Council, and asked relevant
departments to control the scope and progress of urban demolitions and to impose strict monitoring on local officials involved in demolitions. This was the first time, since 1991, that the State Council office and Premier directly intervened in forced demolition. This meeting passed the “Strict Control on Urban Demolition and Prevention of Brutal Demolition Notice” which provided detailed guidance for urban demolition.

From the end of 2003 to 2005 (see table 4.7), the MOC released three acts on this subject, including “Advices on Urban Building Demolition Compensation Assessment”, “Work Guidance of Administrative Arbitration on Urban Demolition”, and “Work Guidance of Urban Demolition”. These executive acts released by the Ministry of Construction were designed to make up defects of the regulation and to make better supervision on urban demolition. They set clear compensation standards and more effective methods to solve disputes between developers and household, and were to be carried out by the Bureau of Construction at provincial and municipal levels. However, these administrative orders did not correct the core flaws of the demolition regulation, such as the lack of decision power of those whose homes or buildings were going to be demolished and the legitimacy of the administrative forced demolition.
Table 4.7: Executive acts issued by the MOC and the State Council to restrict local demolitions

<table>
<thead>
<tr>
<th>Time</th>
<th>Agency</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec. 01, 2003</td>
<td>Ministry of Construction</td>
<td>Advices on Urban Building Demolition Compensation Assessment</td>
</tr>
<tr>
<td>June 4, 2004</td>
<td>State Council Office</td>
<td>Strict Control on Urban Demolition and Prevent Brutal Demolition Notice</td>
</tr>
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In addition to administrative orders, the statement by Ministry of Construction officials at the 2005 annual national construction work conference showed that they were paying more attention to urban demolition problems. These officials said they were committed to controlling the expansion of local demolition by setting limits on the number of total urban demolitions (MOC 2005). In 2006, at the national conference of social stability and National economic reform conference, Ministry of Construction delegates promised that together with local construction bureaus, it would strive to restrict forced demolitions (Sun 2006).

At this stage, forced demolition seemed more salient to officials of the MOC and decision makers at the State Council. Besides, according to records and press releases of these conferences, in the official discourse, urban demolition problems were often related to social stability and sustainable development of the construction industry (Long 2004, MOC 2005, Sun 2006). The problem definitions and policy image started changing during these years.

**Focusing event 2007**

The nail house incident that took place in Chongqing 2007 was a watershed in the development...
of the urban demolition issue. After this incident, reforming the demolition regulation was for the first time set on governmental agenda.

A couple, Wu Ping and Yang Wu owned a two-story building at a business district in Chongqing, the metropolitan city in southwestern China. In 2005, they were informed that their neighborhood was going to be seized by the local government for redevelopment. This couple and a few other home owners were unsatisfied with the compensation offered by the developers. In following two years, their neighbors gradually left, and most buildings in this community were demolished. Developers started the construction of new luxury apartments on the empty land. The construction created a dramatic scene: Wu ping and Yang Wu's house stood on at mound surrounded by the construction site, excavators, and the ground of new apartment buildings. It looked like a stubborn nail hard to pull out from the land. This picture and story was post on online blogs and forums, and got immediately shared and circulated around the internet. From March 9 to April 5, 67 major news agencies reported this incident, Twenty-one were foreign agencies, including CNN, BBC, the New York Times, as well as from Hong Kong, Taiwan, Japan, Singapore, South Korea and elsewhere.5

Standing on the roof of his house, Mr. Yang held the national flag and the documents of the Property Law. Yang asserted that to protect private property is an inalienable right of Chinese citizens. This symbolic feature aroused widespread discussion on urban demolition and the defects of

the demolition regulation. This innovative and media-savvy tactics won public sympathy for their causes and framing their plights as unjust (Hess 2008). For many Chinese audiences and readers of this news, this was the first time they found residents resist urban demolition so boldly. Overnight, this couple became heroes who defended citizens’ rights and challenged the excessive power of the government. From this social incident, forced demolition was no longer defined as a problem that only related to a small number of home owners in demolitions, but an issue which was recognized by wide range of population outside the original policy subsystem. The changes on problem definitions and the scope of interest produced unprecedented pressure on the central government for policy reform.

In April 2007, at the National Urban Demolition conference convened by the office of Housing and Real Estate of the MOC, the delegates from the Commission of Law Affairs at the National People’s Congress, the Office of Legal Affairs of the State Council, the MOC and nationwide local demolition management agencies achieved a consensus that the 2001 demolition regulation should be revised to ensure it would be consistent with the Property Law and the amendment of Urban Real Estate Management Law (Jun 2010). On December 14, 2007, at the 200th General Meeting of the State Council “Expropriation and Compensation of Buildings on State-Owned Land” was the first issue on government agenda (Yang 2009). Two drafts of bills were made before March 2008. However the policy change did not go smoothly after it was set on political agenda. The officials of the MOC argued to the media that revising demolition regulation encountered many problems, such as the difficulty to define “common interest”, and debates on “compensation standard” and so on (Yang 2009).

Many advocates of policy reform were quite optimistic about 2011 regulation, yet this process
turned out to be much more prolonged and complex than they expected (Zhang 2010). Policy reform didn’t make any substantial progress until December 2009. Several legal scholars said, in interviews, the strict definition of “common interest” in new drafts could hinder most of urban demolition, which would hurt the interest of local governments and real estate developers. The change would also potentially influence local economic development and prevent construction of needed housing, which was quite important to the performance of local governments. Two submitted proposals were both rejected in the standing meeting of the State Council (Yang 2009, Ye 2009).

**Focusing event 2009**

In November 2009, the Tang Fuzhen incident provoked a new wave of criticism on forced demolition and the existing demolition policy. Tang Fuzhen, a female resident, set herself on fire to resist the demolition of her family-owned store building in Chengdu, Sichuan province. The area where her building was located was seized by the municipal government to construct new public infrastructure. All buildings within this area would be demolished, and their owners would receive compensation depending on the size, location, and quality of their buildings. Tang’s building was defined as an illegal construction by the local government, which means that Tang Fuzhen and her family could not receive fair compensation equivalent to the value of their property according to market price, for its demolition (Wu 2010). Tang’s family refused to leave and continued to occupy the building more than two years. Neither side in the conflict could find a good solution to solve this problem. Finally, after two years’ delay, the administratively-forced demolition was ordered by the local Bureau of Urban Management and Law Enforcement. When the Bureau’s officials and the construction team approached the house, Tang Fuzhen spilled gas on her body and threatened to commit suicide if they did not stop demolition. She carried out her threat.
While the forced demolition temporarily ended with the death of Tang Fuzhen, her building was eventually removed after this tragedy (Wu 2010). Even so, reports and news on Tang Fuzhen and her families circulated online. The prevalence of Weibo (which functions as Twitter) helped disseminating information quickly. Major news agencies, newspapers and TV companies such as China’s central television, Renmin Wang, Xinhua agency, and Nanfang Weekly followed up and produced many in-depth reports on this focusing event. In these reports, media relied on knowledge and analysis of Legal scholars and experts. They exerted large influence on public discussion. The article issued on Southern weekly is a typical case. In that article, the author, Professor Cai Dingjian, from China Political Science and Law University, stressed the urgency to abolish current demolition regulation. Without policy reform, Professor Cai wrote in this article, forced demolition would not disappear and the interest of residents had to be protected by policies and laws (Cai 2009).

Petition letters of policy review 2009

After the Tang incident, five scholars from the Law School of Beijing University sent a formal petition letter to the Standing Committee of National People’s Congress for a policy review on the demolition regulation. This petition said the current regulation contained serious flaws and violated that the Property Law as well as the Constitution. The scholars asked for a policy reform to replace the existing demolition regulation. This action immediately captured wide range of attention from the media and the public. The Standing Committee accepted the request from scholars and the State Council started the policy formulation procedure within 10 days (Chen 2009).

After sending the petition letter to the National People’s Congress in December 2009, five scholars in Beijing University accepted interviews from various media. They used these opportunities to provide the public with a systematical analysis on demolition problem as well as
their solutions. The efforts made by scholars and journalists shifted attention of the public from the tragedy itself to the urgency of policy reform. Their work mobilized tremendous support from the society for policy change (Chen 2009).

The Office of Law Affairs of State Council, the MOH, the Development and Reform Commission and the Ministry of Land and Resource composed a cross-ministry working group responsible for urban demolition policy reform. In the following year, the Office of Law Affairs of State Council organized 43 hearings, conducted surveys in over 40 cities, called for two public suggestion collections, and produced two white papers. In January 2011, anew demolition regulation that aimed to protect the interests and rights of property owners in urban demolition was issued by the State Council (MOHC 2011).

Analysis

In the policy subsystem of the demolition regulation, those homes or buildings were going to be demolished, local government and real estate industry were key actors. Local government and real estate industry both benefited from urban land transfer and demolition. Those whose homes or buildings were going to be demolished lacked power to influence demolition decision making and compensation negotiation. Given their weak position, they articulated their grievances and demands through individual petitions, sending policy petition letters to legislature, and passively resisting demolition. Nevertheless, the vested interest forces, particularly local government, had more access to influence policy makers and political agenda. As a result, the privileged groups in the subsystem sustained the existing policy and blocked the emergence of new ideas and proposals that were incompatible with their interests.

Under this institutional arrangement, focusing events and the involvement of media as well as
the public were essential to policy change. Social stability was the priority of the party state. The previously indifferent population was mobilized to pay attention to the issue and more people were aware of the unfairness in the system and urban real estate development. The enduring public discussion posed pressure on the central government to solve demolition problems, the visibility and urgency of problem increased substantially to policy makers.

Issue framing contributed to the expansion of the scope of conflict. As the property price grew rapidly in the urban areas, housing issue, economic inequality, corruption and abuse of power by government officials were related to one another. Since local governments raised enormous revenue from land transfer, which was considered a primary contributor to high property price. Under this context, forced demolition and unfair compensation became unbearable to urban residents. In other words, the broader population in the late 2000s felt affected by urban demolitions and therefore paid more attention to the issue. Demolition, thus, was no longer a local issue that affected a small number of those whose homes or buildings were going to be demolished, but a nationwide issue that was associated with larger serious economic and social problems.

In this case, strong resisting powers in the policy subsystem didn’t prevent policy change in the end. The focusing events and expanded participation of actors outside the original subsystem increased the power of pro-reform groups. The changes of people’s understanding on policy problems created social mood favorable to policy change and significantly increased the issue salience to policy makers.
Chapter 5 The policy change of the dairy product safety standard

The new dairy product standard was issued in June 2010. It replaced the previous standard established in 1986. This move aimed to ensure the safety and dairy products. One of the changes in the new standard captured widespread public attention: the new standard lowered protein content from 2.95g/100g to 2.8g/100g of the former standard made in 1986 (Ministry of Health 2010). This reduction in protein content was advocated by the Ministry of Agriculture to prevent harmful additives in raw milk and dairy products and to protect milk farms’ interest (China Health Standard Management 2010). Milk farmers and dairy producers now need to comply with the new standard to control the protein content in raw milk.

A prevalent problem in China’s dairy industry has been that milk farmers and middlemen added forbidden chemical substances, such as melamine, an industrial chemical which can artificially make protein content appear high in tests, to raw milk. Dairy products tainted with this substance can lead to kidney failure and other health problems, and at worst can kill people (Fu 2009). Some contaminated milk products were even produced by the top dairy companies in China which were granted the privilege of quality inspection exemption by the General Administration of Quality, Supervision, Inspection and Quarantine of the People’s Republic of China (CCTV 2008). The tainted products flooded into market and imposed severe threats to public health.

In 2008, the outbreak of melamine scandal exposed this chronic problem rooted in China’s dairy industry to the public and policy makers. In the 2008’s melamine scandal, after ingesting the same brand of infant formula, at least six babies died from kidney failure, 300,000 children had kidney problems, and 54,000 children remained hospitalized by December 2008 (Branigan 2008). This
scandal significantly promoted the change of China’s dairy product safety standard.

Making new standard was set on political agenda in 2008 and the policy formulation process went through 2009 (China Health Standard Management 2010). The new dairy product standard is one of policies that the central government issued to rectify the dairy market and strengthen the supervision on dairy supply chain and production process. After promulgation, several norms in the new standard caused heated controversy among experts, consumers, dairy companies and associations. However, at the stage of agenda setting, the dairy product safety standard provides an example to show that in China, where the political system is non-democratic, policymakers responded to pressing problems and embarked promptly on a policy evolution. Compared to the demolition policy reform and the change of the rural cooperative medical system (RCMS), the agenda building process of the new dairy product safety standard was much shorter and efficient. This chapter focuses on the causes and consequence of the policy change, and analyzes how this reform happened in a short period of time.

**Origins of problem**

**The expansion of dairy market in China**

The consumption of dairy products is a relatively recent feature of the Chinese diet and was driven by rising incomes as well as by the government which was promoting the nutritional benefits of milk, especially for children. The past three decades have seen increase in both dairy production and consumption in China (see figure 5.1). The average annual growth rate is 12.8 percent since 2000 (Sharma and Rou 2014). The demands for infant formula also underwent a rapid increase. Prior to 1978 reform, 80 percent of new mothers chose breast-feeding. According the Ministry of Health, China’s breast-feeding rate in 2010 was only 28 percent, lower than the global average level of 40
percent and far lower than the 50 percent goal set by the State Council in the Guideline of Chinese children development (Sharma and Rou 2014). More and more new mothers nowadays choose infant milk powder to feed babies, which is caused by many factors, including heavy workload for working women, lack of public spheres to breast feed, illegal marketing campaigns by the dairy industry at hospitals to pregnant women and families with newborn babies (Sharma and Rou 2014).

Figure 5.1. milk output in China between 1980 and 2008


**Underdeveloped milk supply chain**

As demand rocketed, the dairy industry has struggled to keep pace. The dairy industry relied on a poorly managed supply chain of thousands of small scale-farmer which used low quality cattle feed and sold their milk through independent and unregulated milk collection station or other middlemen (Fu 2009). Traditional-dispersed dairy farms with fewer than five cows were the major pattern of milk production in China. There was a saying that “a medieval farming system serving a product to a 21st century market” (Lim 2013) which precisely described the problems rooting in China’s dairy industry.
The dairy industry was small and entirely under the state control and collectives until the post Mao economic reforms in 1978. With the reforms, privately owned animal-husbandry was permitted and national and local governments launched policies encouraging investment and dairy production, including subsidies and loans to support the sector. In the 1990s, dairy processing enterprises largely utilized “mobile-dispersed milk collecting” practices in which all agents from a dairy company travelled from household to household to buy milk from scattered farmers. Even in 2006, more than 81 percent of China’s dairy farms raised fewer than five cows (Sharma and Rou 2014).

As table 1 illustrates, China’s number of milk cows in 2009 is much higher than the number in U.S. 2009. However, its milk production is much lower. The comparison illustrates that China’s milk farms were dispersed and production was inefficient. This type of milk production, collection and storage and delivery were easy to produce safety problems and also posed a big challenge to supervision and inspection.

Table 5.1. Milk cow and milk production in China and U.S. 2009

<table>
<thead>
<tr>
<th></th>
<th>Milk Cow (million head)</th>
<th>Milk Production(million pounds)</th>
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<tbody>
<tr>
<td>China</td>
<td>12.6</td>
<td>77,557</td>
</tr>
<tr>
<td>U.S.</td>
<td>9.2</td>
<td>189,320</td>
</tr>
</tbody>
</table>

Source: Chinese data from the Ministry of Agriculture, 2009; U.S. data from the United State Department of Agriculture, 2009

In addition, the rapid expansion of dairy industry produced fierce competitions among dairy companies. These milk processors had strong incentives to lower costs, and put pressure on milk producers and middlemen to supply low-price raw milk. In China’s raw milk market, the dairy firms decided the price of raw milk. This was not because the supply was much larger than demand, but was because the small milk farms on which the industry relied did not possess advanced equipment to store and deliver raw milk. If they did not sell milk to collection stations or dairy firm immediately, the raw milk would deteriorate and farmers had to carry the financial loss. Meanwhile, milk farmers
did not have their own organizations to bargain with dairy companies, which led to their disadvantaged positions in the raw milk supply chain (China Stock News 2013). Facing increasing cost to raise cows, some farmers and owners of milk collection station started to add water to increase volume of milk. Due to poor feed or dilution, collected raw milk sometimes did not meet the protein content requirement of dairy companies in tests, so they also began to add substances like Melamine, and industrial chemical used in flame retardants and other applications, to artificially raise the protein content. *Caijing Magazine*, an influential Chinese non-state media, citing Hebei local dairy farmers, reported that “the practice of spiking milk with additives such as melamine had been a public secret for the past two years from 2007 to 2008” (Gong 2008). This means most of milk contamination occurred in the raw milk production and delivery.

Sanlu and other 21 dairies were found to be responsible to the tainted milk products. The trial of the four Sanlu executives revealed that the company had received complaints about babies sickened by drinking Sanlu-produced infant formula since December 2007, including cases of kidney failure since March 2008. However, during the eight months from December 2007 to September 2008, the Sanlu management apparently took extensive measures to cover up the scandal. In spite of the management’s awareness of the rising number of tainted milk victims, Sanlu neither issued any public recalls of its product nor report the matter to government authorities (Shen 2009).

**Dereliction of local governments and the quality control agency**

The roles of the Shijiazhuang city government and quality control agencies of the central government were widely blamed in this scandal. The government of Shijiazhuang, Heibe province, Northern China, where Sanlu Company was located, was alleged to also cover up evidence of a public health crisis. According to the State Council investigation report, the leading government
officials in Shijiazhuang city failed to report the contamination to provincial and state authorities in violation of rules on reporting major public health incidents involving two hours (Fu 2009).

According to the People’s daily, the state media, Sanlu wrote a letter to Shijiazhuang city government on 2 August, 2008, asking for help to increase control and coordination of the media, to create a good environment for the recall of the company’s problem products (CCTV Oriental Horizon 2009). It took the city government thirty-eight days, an extensive delay, to forward Sanlu’s problem to the provincial government of Hebei. The China’s cadre evaluation system played important role to foster close relation between local economic forces and local government officials, which rewards officials for local economic and industrial development and for tax revenue collection (Gobel and H.Ong 2012). Local governments in China have overwhelmingly prioritized economic growth because officials’ career promotion highly depended on local GDP growth .To Shijiazhuang city government, Sanlu was not only a big contributor of local tax revenue, but also an important company with great economic influence on local employment and investment environment. This incentive drove the Shijiazhuang city government maintained the intimate relationship with Sanlu and covered up the growing scale of the crisis.

The dereliction and negligence of the quality inspection agencies, particularly the general administration of quality supervision, inspection and quarantine (GAQSIQ) in monitoring and supervising dairy production and processing made this scandal more political. The GAQSIA had granted milk companies such as Sanlu, Mengniu and Yili quality inspection exemption status, a system introduced in 2000 to award companies meeting certain standards on a three-year basis (Dong 2008). This system let the companies themselves maintain food safety and quality, with little direct government oversight. However, such “self-regulation” led to serious problems in food safety and
public health once companies fell into having lax internal controls, and was blamed at least in part for the scandals.

The World Health Organization also pointed out that safety enforcement in China is dispersed among too many agencies” ranging from health, agriculture, quality inspection to industrial and commercial authority at “different levels of government,” but with no one agency holding the bottom line (Fu 2009, Lim 2013). After a series of food safety scandal in the mid and late 2000s, the government departments had been extensively criticized for their failure to safeguard the basic right of Chinese consumers to get access to safe food. The contaminated infant formula was considered intolerable and spurred unprecedentedly strong criticism on these quality inspection and control agencies (Tian 2009). The Minister of the GAQSIA Li Changjiang resigned in September 2008 (Gong 2008). These problems of milk farmers, middlemen, dairy companies and various levels of government combined to result in the melamine scandal in 2008.

Focusing event, media reports and public opinion

Melamine is an industrial chemical used in fertilizer and plastic. It is toxic, and should not be used in food. However, adding it makes food appear higher in protein when tested. In 2008, this chemical substance was first found in the infant formula produced by China’s biggest milk powder producer Sanlu. This firm had nearly a fifth of China’s dairy market share at that time (Branigan 2008). The tainted milk scandal drew national and even global attention when 14 infants below the age of one in Northwest China’s Gansu province were diagnosed with kidney problems in September 2008. Soon thereafter, more cases from various provinces were reported and the health department of Gansu province announced that the 59 sickened infants had all consumed the same brand of powder milk produced by Sanlu (Wang and Shan 2012). In the nationwide inspection on 109 dairy
companies, dairy products of 21 more companies contained melamine at different levels, including
other two dairy giants, Yili and Mengniu (CCTV 2008). This scandal exposed that severe food safety
problem which was rooted in China’s poorly-regulated dairy industry.

After the scandal was exposed, Sanlu recalled 700 tones of milk powder (Bradsher 2008). Sanlu
went into bankruptcy five month after the scandal broke (Branigan 2008). In November 2009, a
farmer and a milk middleman were executed for endangering public safety and for producing selling
toxic food. The company general manager, Tian Wenhua, was given a life sentence after pleading
guilty to charges of producing and selling fake or substandard products. Three other former Sanlu
executives were given between five years and fifteen years in prison. The mayor, party leader and
other city officials in Shijiazhuang were sacked, but no officials were charged (Branigan 2008, Fu
2009).

The group of 22 dairies which produced melamine-tainted dairies products, including Sanlu,
offered 200,000 yuan ($30,000 USD) to each of the parents of a dead child, 30,000 yuan ($4,400
USD) to children with severe kidney problems, and 2,000 yuan ($160 USD) to less severe
cases. Total compensation would run to 1.1 billion yuan ($ 160 million USD) (Branigan 2008), of which
910 million yuan was for individual compensation and the other 200 million as a medical
compensation fund to be controlled by China Dairy Industry Association and managed by China Life,
the largest insurance company in China. This money would be used to treat any chronic symptoms
victims may experience as a result of the poisoning before they turn 18 (Wang and Shan 2012).

The melamine incident not only affected China’s domestic dairy market but also influenced dairy
product exports. Right after Melamine crisis outbreak, more than 29 countries and areas, including
the European Union, Canada, India and Japan, imposed a ban on Chinese dairy products (Reuters
The melamine crisis aroused sustained criticism on China’s dairy products and created strong social demand for more effective supervision on domestic dairy industry. Consumers criticized the negligence and dereliction of duty by government agencies in charge of the safety and quality of dairy products that contributed to dairy safety problems (Yan 2012). The melamine crisis ranked the top 4 most heated topic in China’s internet community in 2008 (Chinese Academy of Social Science 2008). Public opinion put great pressure on the central government. In addition to persistent media and public attention, several civil groups fought for compensation for affected families in this crisis, including Gongmeng, a local attorney bar association in Beijing, and a nationwide organization organized by the parents of infants with kidney disease, after taking milk powder with melamine additives (Moore 2010).

The other indicator of consumers’ resentment and distrust toward domestic dairy products was their changing habits of dairy consumption after 2008. Chinese consumers had less trust in domestic dairy products, and the effect of the melamine crisis lasted years. Indeed, as of 2013, the confidence of Chinese consumers on domestic milk products has still not yet recovered. As figure 5.2 and 5.3 illustrate, after 2008, imported milk powder products experienced rapid growth in both the amount of sales and in the market share. The sales of imported milk powder increased 533% from 2008. The largest growth occurred in 2009, the year after the melamine crisis. According to U.S. Department of Agriculture (Zhang and Wu 2013), the market share of imported milk powder in China expanded from 9.3% to 33% from 2008 to 2013. According to data from the Euromonitor, in the infant milk powder market, the share of imported products grew from 40% to 50% in the same period of time (Zhang and Wu 2013). According to surveys and polls, Chinese consumers’ preference on imported
milk powder was caused by the melamine scandal and subsequent mass fear and distrust on the domestic dairy brands (Ren and Qiang 2013). The families with higher annual income were more willing to purchase imported milk powder (Li 2011).

Figure 5.2. Growth of imported milk powder during 2003 to 2013

![Growth in Imported Milk Powder During 2003 to 2013](http://data.163.com/13/0529/01/900M6PM600014MTN.html)

Source: USDA 2013, [http://data.163.com/13/0529/01/900M6PM600014MTN.html](http://data.163.com/13/0529/01/900M6PM600014MTN.html)

Figure 5.3. China milk powder consumption by year between 2003 and 2013

![China Milk Powder Consumption by Year between 2003 and 2013](http://data.163.com/13/0529/01/900M6PM600014MTN.html)

Source: USDA 2013, [http://data.163.com/13/0529/01/900M6PM600014MTN.html](http://data.163.com/13/0529/01/900M6PM600014MTN.html)

In response to increasing popular discontent, policy makers adopted various means to minimize the consequences of Melamine crisis and to appease mass resentment. The State Council sent an investigation team to deal with Melamine crisis, and ordered the Ministry of Health and the General Administration of Quality Supervision and Inspection, Quarantine to test dairy products of all
Chinese dairy companies (CCTV 2008). Policy makers also used policy innovation and reform to show the public that the central government possessed willingness and ability to rectify and regulate the dairy market. By October 2008, which was just a few months after the melamine crisis occurred, the State Council had already issued the Regulation of Dairy Safety and Quality Inspection and Management (2008). This move shows that dairy product safety attained the priority of governmental agenda. Subsequently, the new dairy product safety standard was set on the agenda. In the early 2009, the Ministry of Health was in charge of organizing a cross-ministries committee to revise the standard (New Beijing Daily 2011).

Contextual factors

The development of food safety issue in China’s public agenda and political agenda

From 2004 to 2008, the food safety issue leapt into the public attention as a string of food contamination and poisonous food incidents were reported. Since 2004, food safety was considered a top concern by the public in various opinion polling (Xiaokang Magazine 2005, 2007, 2008 to 2010, CASS 2005, 2007, 2008, 2012). Food safety had become a severe threat to well-being, health and safety of Chinese people. As Chart1 shows, according to the opinion poll by the official magazine Xiaokang and China’s online media outlet Sina.com, before and after 2008, food safety issue was the top public concern out of 33 items on the online survey. In 2008, food safety climbed to the top 2 in public concern and its status was even higher than other pressing social problems such as housing price and corruption (See table 2). The investigation by the Ministry of Commerce shows that among urban consumers, the rate of concern increased from 79 percent in 2006 to 96 percent in 2008 and among rural residents it increased from 58 percent in 2006 to 94 percent in 2008 (Ministry of Commerce 2005, 2009). Years after the scandal, public concerns about food safety and waves of
national food fears are a regular feature in media reports and large-scale surveys (Yan 2012).

Table 5.2. Top ten public concerns in 2005, 2007, 2008 and 2010

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2007</th>
<th>2008</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Healthcare Reform</td>
<td>Medical System Reform</td>
<td>Healthcare Reform</td>
<td>Commodity Price</td>
</tr>
<tr>
<td>2</td>
<td>Environmental Protection</td>
<td>Commodity Price</td>
<td>Food Safety</td>
<td>Housing Price</td>
</tr>
<tr>
<td>3</td>
<td>Social Security</td>
<td>Housing Price</td>
<td>Corruption</td>
<td>Healthcare Reform</td>
</tr>
<tr>
<td>4</td>
<td>Corruption</td>
<td>Rich and Poor Gap</td>
<td>Environmental Protection</td>
<td>Food Safety</td>
</tr>
<tr>
<td>5</td>
<td>Food Safety</td>
<td>Corruption</td>
<td>Social Security</td>
<td>Education Reform</td>
</tr>
<tr>
<td>6</td>
<td>Education Expenses</td>
<td>Environmental Protection</td>
<td>Housing Reform</td>
<td>Housing Reform</td>
</tr>
<tr>
<td>7</td>
<td>Public Security and Order</td>
<td>Social Security</td>
<td>Unemployment Rate</td>
<td>Social Security</td>
</tr>
<tr>
<td>8</td>
<td>Housing Price</td>
<td>Food Safety</td>
<td>Education Reform</td>
<td>Unemployment Rate</td>
</tr>
<tr>
<td>9</td>
<td>Social Morality</td>
<td>Unemployment Rate</td>
<td>Public Security and Order</td>
<td>Income Distribution</td>
</tr>
<tr>
<td>10</td>
<td>Income inequality</td>
<td>Public Security and Order</td>
<td>Democracy and Rule of Law</td>
<td>Corruption</td>
</tr>
</tbody>
</table>


Widespread food safety problems have not only strongly damaged the confidence of Chinese consumers toward domestic food producers but also aroused doubt on the capacity of government to monitor and regulate food producing and trading. To relieve popular resentment and distrust, the central government concentrated great resources and attention to improve the food safety system (Yan 2012). Under these circumstances, food safety was elevated to a priority of policymakers. Since 2005, a series of bills and proposals regarding food safety were set on governmental agenda and were successively issued by the State Council and National People’s Congress, such as the Decision on Strengthening Food Safety (State Council 2004), Food Safety Law (National People’s Congress 2009) and the Regulation of Dairy Safety and Quality Inspection and Management (State Council 2010).
The government’s interest in improving dairy product safety standards dates back to 2007 when the State Development and Reform Commission convened a consulting meeting to discuss the necessity of designing a new standard, with the representatives of dairy firms and associations. But at that time, decision makers didn’t make any substantial progress on policy reform. The critical shift in mood and priorities of policy makers created a favorable environment for reforms on various food safety policies and opened the policy window for the change of the dairy product safety standard.

Problem definition

The outbreak of the melamine incident in 2008 was considered a driving force to the change of the dairy product safety standard. The occurrence of this focusing event significantly increased the visibility of safety problems existing in China’s dairy industry, and expanded the scope of public participation in this policy domain.

The quality and safety of dairy products affected a wide range of people such as consumers and retailers. Preceding 2008, the affected population did not adequately participate into this policy subsystem. The previous dairy product safety standard was controlled by dairy companies and leading government departments including the Ministry of Health, State Administration of Industry and Commerce, Ministry of Agriculture, Ministry of Commerce, and General Administration of Quality Supervision, Inspection and Quarantine.

The 2008 milk scandal was not the first time that infant milk problems captured national attention in China. In 2004, more than 200 Chinese infants across eastern China suffered malnutrition and at least 13 died after being fed fake formula that contained no nutrients. Some 40 firms were found to be involved (Branigan 2008). The 2004 scandal caused a myriad of criticisms on
the food quality inspection agencies. However, the influence it made on public agenda and governmental agenda was not as large as the 2008 scandal. First of all, the affected population was much larger in 2008 than 2004. Besides, affected babies and parents in 2008’s melamine scandal were scattered in many metropolitan cities such as Beijing. But the families with sickened babies in 2004 were in largely rural areas of poorer provinces. Secondly, the firms that were involved in the 2004 fake milk scandal were illegal or small companies. The biggest producer of fake milk in this scandal did not get approval from the production license from the local bureau of commerce and industry and the food safety bureau. In 2008, however, Mengniu, Sanlu and Yili were the top three dairy giants in China and enjoyed quality inspection exemption status. In 2007, Sanlu was awarded “the most competitive brand” by the Ministry of Commerce, and its products reached all 31 of China’s provinces and regions, almost the entire mainland China dairy market. Ironically in August 2008, when tainted infant formula and the cases of sickened babies had been reported to its managers, Sanlu accepted the honor “China’s life-change domestic brand in the past thirty years” jointly given by Brand China Industry Union, a commerce and industry research center in Beijing and other mass media.

The revelation of tainted infant formula at Sanlu and more melamine contamination dairy products of 21 other dairy companies damaged the confidence of consumers in this industry. For Chinese consumers, tainted milk was no longer a problem affecting a small number of people who purchased low quality or fake milk powders at low prices. It became a prevalent problem rooted in the whole dairy industry and food quality control system. This scandal reignited concerns about food product safety in China, and also aroused mass indignation, disappointment and scare.

To decision makers of the party-state, the widespread scare and resentment created by the
scandal were dangerous to social stability and regime legitimacy. The melamine scandal was similar to Severe Acute Respiratory Syndrome (SARS) crisis in 2003 in many aspects. They both threatened public health and spurred nationwide fear, and damaged the trust of people toward government officials and the existing system. Large-scale public health and security crisis is one of cause to catalyze nationwide dissatisfaction and disturbance. Public satisfaction has been essential to the legitimacy of this single-party regime. Therefore, China’s political leaders are highly sensitive about mass dissatisfaction and resentment across classes and regions. They feared to loss of popular support, and therefore leaders were almost always highly responsive to large accidents, disasters and scandals that affected the public security and health, such as train derailment, earthquake and infectious disease (interview 17). SARS was viewed by some observers as “China’s Chernobyl” which would inevitably lead to large-scale change, perhaps to the unraveling of the system. Yet, the central government absorbed the impact of this crisis (Fewsmith 2004). After towards, many regulations and crisis management plans were released by the State Council to deal with this type of emergencies crises and disasters. The central government wanted to appease grievance and fear caused by a crisis immediately and effectively before it affected broader population and escalated to a more influential problem (State Council 2003, 2005, 2008c). When the 2008 dairy scandal spurred national criticism and fury toward dairy industry and quality inspection departments, decision makers devoted a large amount of resources to resolve the problems and relieve the tension between people and the state immediately.

Actors, access and influence

The focusing event, media reports, and the heightened public attention played critical roles in the policy change. A myriad of reports focusing on this issue persisted over months and even drew
attention from international community. Infants with kidney disease and their heartbroken parents gained nationwide sympathy. Their suffering strongly resonated among a myriad of dairy consumers. As dairy products have become key food products of Chinese, especially urban dwellers (Ministry of Agriculture 2010), a great number of Chinese felt that although they were not directly hurt by the tainted milk powder this time, their health was strongly associated with dairy product safety. Every family could become a victim of contaminated dairy products. Although there was no mass organization that represented the collective interest of consumers in the national policy making process, Chinese consumers showed strong interest on this issue, and actively articulated their concerns via intense media reports and in large-scale surveys.

The involvement of mainstream media and social media was critical to the development of this issue. Since September 11, 2008, the kidney failure baby was first reported by four regional newspapers (Modern Gold Daily 2008), the melamine scandal had been headlines of various media outlets over long time and social media provided a venue to affected population to articulate grievances and anger. The website of Sanlu company was hacked several times to change its name from “Sanlu” to “Melamine group” (Li 2008). The heightened media coverage and public attention fostered strong and sustainable social pressure on the central government. The previously indifferent population was mobilized and they demand stronger food safety control and more stringent standards. Under this pressure, the state made a series of prompt responses in this large-scale food safety and public health crisis, including sending the State Council-led investigation team, punishing the culprits and Sanlu companies, providing free medical treatment to sick babies and setting the compensation with dairy firms for victims and their families.

Facing unprecedented pro-reform pressure, the dairy industry that once dominated the
subsystem of dairy product safety standard did not form a solid coalition to resist change. First of all, dairy companies and associations did not share a unanimous interest. Their interests and concerns on the product safety standard often varied considerably by region and the type of products they produced. According to interviews with the chairman of Guangzhou Dairy Industry association and the deputy president of China’s Western Dairy Industry Association, the interest of giant dairy companies targeting to the nationwide market was different from the interest of local companies. Usually, the products of giant dairy firms use the milk reconstituted from dried milk powder and therefore can be saved for long time and were convenient for long-distance delivering, while local dairy firms use raw milk to produce fresh milk which must be saved and delivered at a certain temperature. In short, these two categories of milk products rely on different processes, preservation conditions, and standards for raw milk. The new dairy product safety standard could inadvertently increase the competitiveness of one but reduce the other (Li 2011b). Different interests and reactions toward the new standard prevented Chinese dairy firms from fostering a unified stance in policy change.

Secondly, although several top dairy companies were significant to local job opportunities, taxes and economic growth, their contributions on local and national economies were not large enough to mobilize varying levels of government to speak for them at the national policy making process (Li 2011a). In contrast to the expansive influence of sub-national governments in urban demolition policy change, local governments were not involved in the policy change of new dairy product safety standards. As a result, public pro-reform forces met relatively weak resistance from the milk industry and other economic interests.

Policy and policy change
In late 2008 the State Council issued two policies: the Regulation of Dairy Safety and Quality Inspection and Management (October 2008), and the Project of Rectifying and Promoting Dairy Industry (November 2008). Both policies directly responded to the mass demand for reinforcing inspection and control on dairy production following the melamine scandal. The policies emphasized that China’s dairy industry needed more precise, detailed and advanced safety standards on various dairy product as well as raw milk. Therefore, new dairy product safety standard was set on the political agenda. In 2009, the Ministry of Health was authorized to lead the cross-ministries committee which was composed of the Ministry of Agriculture, the Ministry of Industry and Information, the State Administration of Commerce and Industry, Standardization administration, the General Administration of Quality Supervision, Inspection and Quarantine, Food and Drug Administration, National Light Industry Council, Chinese Center for Disease Control and Prevention, Dairy Industry Association, Dairy Association of China. This committee also invited 70 experts and industry representatives to discuss the standards. During the process of policy formulation, the committee initiated two public suggestion solicitations (New Beijing Daily 2011).

The most notable changes in the new dairy product safety standard are the regulation regarding raw milk acceptance and the regulations of three different types of liquid milk products: pasteurized milk, sterilized milk and reconstituted milk. The standard of raw milk acceptance caused the biggest controversy among policy designers, specialists, industry representatives and consumers. This standard referred the corresponding regulations of U.S., Australia and European Union, and made changes on five critical indexes which significantly affected the safety and quality of raw milk: protein, fungi, pesticide residue, residue of veterinary drugs, and microbe. The index of protein content of raw milk acceptance was most related to the contamination problem that was exposed in
2008’s scandal, and a new standard lowered the protein content requirement from 2.95g/100g to 2.8g/100g. In 1980s, the dairy market and demand remained small in China. The dairy industry consisted of collective or state-owned milk farms and firms. The quality and safety were easily to control. Feed and other cost for raising milk cows were low at that time. State-owned dairy firms and farms had no strong motivations to maximize the profits. In short, milk producers and processors faced thoroughly different market and environment in the 1980s. The protein content of the 1986 standard was made under this circumstance. It was not hard for dairy firms to meet this requirement. However, since 1986, China’s dairy industry and market underwent a dramatic change. As discussed early, small and scattered milk firms, low prices of raw milk and firm competition among dairy firms combined to contribute to declining protein content of raw milk. According to the investigation by the Ministry of Agriculture after the 2008 scandal, in summer, estimated 51% of cows can’t produce the raw milk with more than 2.95g/100g protein, the 1986’s standard (China Industry Research Center 2011). Chinese raw milk suppliers can’t meet the 2.95g/100g standard in the short term without fundamental transformation on the industry.

Given China’s inferior dairy supply chain, if the government didn’t lower the standard of raw milk on the protein content, a large amount of raw milk would be wasted and owners of small-scale milk farms probably had to stop operation because the huge loss this action caused. This in the long term was favorable to the upgrade and consolidation of China’s dairy farming, producing and processing, but in the short would damage the interests of wide range of dairy farmers. Or the impractical high requirement became one of the factors to allure raw milk producers and middlemen to add additives such as melamine to artificially increase protein content, as had happened in 2008. In this sense, the new standard is a compromise to the present levels of China raw milk supply
system. The primary goal of this new standard is to safeguard the safety of raw milk rather than to improve its quality.

The role of mass media in political participation and policy change

The commercialization of mass media and the prevalence of internet change the access through which Chinese obtained information and express their concerns and interests. Since 1979, the party-state allowed newspapers, magazines, and televisions and radio stations to support themselves by selling advertisements and competing in the marketplace (Shirk ed. 2011). Commercialization and de-ideologization of the media has changed the incentives and behaviors of mass media. The increasing dependence on commercial revenues gives the mass media more freedom in covering issues of broad social interest (Yang and Calhoun 2007). In order to earn more audience and readers, media outlets select issues which appear more attractive to the public. Although some political scandals, crises and protests are still severely censored by the regime, mainstream media has been playing increasingly important role in policy debate, criticism, and exposing incident (Lum 2006). Without media reports, some incidents would not been noticed by the public and capture attention of policy makers (Zhong 2007).

In 2005’s survey on media and public participation of the middle class, more respondents chose to disclose illegal or injustice incidents at the government or state-owned enterprises to media other than report to relevant government departments. Also, more respondents thought media was more effective means to influence politics and public policy than to communicate with government officials (Wang 2009). Mass media in China has become an important venue in which Chinese can express their voice and be heard by policy makers.

In addition, the emergence and development of internet in China empowered part of Chinese in
political participation. The number of internet users continually grows in high speed. More than 380 million Chinese accessed the internet or roughly 29% of country’s population in 2010. Some 233 million people used cell phones to go online in the same year. The official white paper released by the State Council Information center in 2010, the internet has opened a direct line of communication between the government and the people whereby the opinions of the public received unprecedented consideration (Esarey and Qiang 2011). Internet has substantially precipitated the information circulation and fostered new links among people to participate policy debate. The existing research finds that to certain extent, the government allows criticism on the state, leaders and policies on social media (King and Roberts 2012). News reports and discussions played significant roles in reporting the incidents and issue framing in the outbreak SARS (2003), urban demolition and resistance (2007, 2009), melamine scandal (2008), the high-speed rail accident (2011), and a series of corruption and malfeasance of government officials. Social media as such blogs, bulletin board system often spread the information widely before it was censored, and mainstream media follow up which makes greater effects on the public opinion. The heightened media coverage and public attention produce focusing events and force the government to respond to problems more effectively and transparently. With increasing influence of mass media and internet, the party-state cannot manipulate crises as small events that are fully under control (Zhong 2007).

Given the limited formal channels of political participation in China, the media, especially internet, has become increasingly important venue for Chinese to participate in politics. It now plays a critical role in shaping public opinion and public agenda. However, mass media, particularly internet is not equally accessible to all segments of population. According to the statistic reports released by China Internet Network Information Center (2006, 2011), majority of internet users were
male, urban and well educated residents (See table 5.3). The socioeconomic and geographic characteristics of Chinese internet users have made effects on the issues they were concerned with in the online community.

A survey made in 2005 on urban middle-income families indicates that this population was more sensitive to the issues which immediately related to their lives and jobs, such as corruption and embezzlement, public safety and security, environment pollution and protection. The issues that they had the least interests were rural issues, poverty and orphan (Wang 2009). The priorities and concerns of the majority of internet users implies that the virtual discussion and online public agenda overwhelmingly have represented and reflected the interests of urban residents who had more accesses to internet, knowledge, skills and political consciousness to articulate interests and grievances, whereas rural issues had difficulties to receiving the same level of attention in the internet community. Internet essentially strengthens urban population, particularly well educated middle class to participate in politics, but this new technology has not yet significantly empowered peasants to set their issues on public agenda and to influence policy makers.

Table 5.3. Information of China Internet user, 2005 and 2010

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>The number of internet users(millions)</td>
<td>111</td>
<td>457</td>
</tr>
<tr>
<td>Male internet users (%)</td>
<td>58.7</td>
<td>55.8</td>
</tr>
<tr>
<td>High school degree and above (%)</td>
<td>80.9</td>
<td>58.9</td>
</tr>
<tr>
<td>Peasants (%)</td>
<td>1.4</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: China Internet Network Information Center, 2006, 2011, China Internet Development Statistic Report

The disparities of internet penetration rate and access between the urban and rural populations
contribute to the gap of political capacity between these two populations, which is reflected on the three cases discussed above. In the case of urban demolition and tainted baby formula scandal, media-savvy urban homeowners and dairy product consumers relied on internet to expose incidents, actively join public discussion and they produced strong pressure to force the government to solve problems promptly. Mainstream media outlets traced the development of incidents and made in-depth reports to compete for attention of audiences and readers. Afterwards, internet spread information fast and continued to provide platform for the public to express, question and criticize. In this way, the media and public fostered the social force for reform during the after focusing events. Nail house incident (2007), forced demolition incident (2009) and melamine scandal (2008) occupied the media coverage and public agenda for long time, which made them more visible and severe to decision makers and therefore critically promoted policy change. To the contrary, mass media and the public rarely engage in the policy change of the rural cooperative medical system (RCMS). Controlling the low development of social media in China during 1980s and 1990s, the mainstream media and urban residents pay little attention to the deteriorating health insurance system and medical conditions in the rural areas. The policy debate of the RCMS was limited within a relative small circle composed of officials, policy makers and experts.

Analysis

As the investigation reports (State Council, GAQSIQ 2008) shows, the tainted infant formula were caused by illegal behavior in raw milk supply chain and milk production as well as the dereliction of the government departments in charge of product safety monitoring. The visibility of problems that rooted in dairy industry increased drastically in this scandal. The immediately affected population of the contaminated powder was more than 30,000, and a wide range of Chinese
consumers of dairy products was strongly concerned with this issue. Nationwide fears, distrusts and discontents regarding dairy products fostered immense pressure on policy makers to improve the existing inspection and supervision system. This pressure appeared more forceful because the food safety issue had occupied the center of public agenda for years. All of a sudden, dairy product safety problems became the most threatening issue in China. Concurrently, the dairy industry split into several camps with different interests and stances toward the reform of the dairy product safety standard. Under this circumstance, pro-reform forces were stronger than the resistance. Policy makers had great motivations to embark on policy change. Focusing events, media reports and the involvement of the public, in this case, drove the policy change dynamics.

Chapter 6 Conclusion
Schattschneider (1960, p 2) asserted in his path-breaking work, *The Semi-Sovereignty People*, that at the root of all politics is the universal language of conflict. The research finds the conflicts between actors with different interests, concerns and proposals constructed the core content of the politics of policy change and agenda setting in China. In the three cases, political disputes existed between pro-reform forces and resisting forces, and between the new proposals and the prevailing understanding on the problems. Policy change took place when pro-reform forces were able to overcome the vested interests in the original policy subsystem. Once the new issues and solutions were incorporated into the system and accepted by decision makers, the issues were put on the governmental agenda.

The findings from the research suggest that five factors influenced the outcome of these conflicts: the character of policy recipients, the political power of opponents, the influence of policy entrepreneurs, focusing events, media reports and social mobilization, and last but not least, the fiscal cost that policy makers were required to pay for the potential reform.

Table 6.1. Power distributions between policy recipients and opposition

<table>
<thead>
<tr>
<th>Policy Recipients</th>
<th>RCMS</th>
<th>Urban Demolition Policy</th>
<th>Dairy Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>The size of population</td>
<td>Rural Population</td>
<td>Urban home owners</td>
<td>Consumers of dairy products</td>
</tr>
<tr>
<td>The degree to which target population organized itself</td>
<td>Large</td>
<td>Small</td>
<td>Large</td>
</tr>
<tr>
<td>Bargaining power via formal access</td>
<td>Low</td>
<td>Strong</td>
<td>Medium</td>
</tr>
<tr>
<td>Political knowledge, consciousness, and skills to mobilize support for policy change</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Weak</td>
<td>Strong</td>
<td>Medium</td>
<td></td>
</tr>
</tbody>
</table>

| Opponents | MOF | Local government and real estate | None |
The character of policy recipients has four indicators: the size of population, the degree that policy recipients organized themselves, their formal bargaining power in the national making process, and their political skills, knowledge and consciousness to mobilize more support. These indicators measure the capacity of policy recipients to articulate their interests and demands and to facilitate reform. Applying this measurement to rural dwellers, urban home owners and consumers of dairy products, the study finds the following:

1) The bargaining power of the three groups in the national policy making process was low. In the case of the RCMS and the demolition regulation, some peasants and urban home owners articulated their concerns to the Ministry of Health and Ministry of Construction in the forms of surveys and petitions. However, these ministries had no agenda-setting power. None of policy recipients in three cases had mass organizations or representatives. Therefore, they could not exert direct influence on decision makers via formal venues;

2) The size of the population of policy recipients was not a decisive factor to the political capacity of policy recipients. In the case of the new dairy product safety standards, the large number of dairy consumers produced immense pressure for reform. However, in the RCMS reform case, seven million rural dwellers were not mobilized to express their concerns and grievances on the
health care problem in 20 years. The large size of the population of policy recipients by itself did not help strengthen their capacity to facilitate policy change;

3) What was more important for policy change than the number of policy recipients were their political skills, consciousness, and ability to organize themselves. In the urban demolition policy case, the evicted were adept at undertaking various participatory behaviors, such as petitions, cooperating with mass media and posting their requests on the internet to earn support and sympathy from the public, which led to an increase in the issue salience. In the case of the dairy product safety issue, the consumers, mostly gathering in the urban areas, also actively participated in the policy debate when the melamine incident occurred. Accordingly, this research suggests that given China’s political structure, if ordinary Chinese lack formal access to influence the governmental agenda, then having political skills, consciousness and knowledge are essential for them to protect and advance their interests. In this aspect, as the three cases illustrate, well-educated urban dwellers with more access to the Internet and mass media had far greater capacity to influence the public agenda and to earn support for policy change from other social groups. Their influence on the government’s agenda setting was stronger than the rural population. The government paid attention to the problems of the urban middle class. The problems of the rural poor remain lower priority until there is a crisis of legitimacy or fears of social unrest that lead to reform. The different levels of political capacity of policy recipients partially explain why the RCMS remained unobtrusive for long time, and the lengths of other two policy changes were relatively shorter.

**Power of opponents**

The opponents of policy change in the three cases were the previously advantaged groups in the policy subsystem who sought to resist the emergence of new proposals and incorporation of new
actors. The power of opponents stemmed from two sources: bureaucratic or fiscal powers. It means the opponents of policy reform either had privileged authorities and access to influence policy making effectively or had strong fiscal strength to earn support from important actors within the system. To advance their own interests, the real estate industry and local officials formed a strong coalition to block policy change regarding how urban demolition was regulated. In the cases of the RCMS and the new dairy product safety standards, the opposing forces were much weaker.

The RCMS reform did not meet opponents in any real sense. The rural medical system and health insurance reform did not involve the interests of any particular industries. Other governmental departments, such as the Ministry of Finance, were reluctant to support this expensive reform, because the national fiscal conditions were weak at that time. But they had no incentive to make recalcitrant resistance against the change in favor of peasants’ interest and well being if decision makers decided to prioritize the reform on political agenda.

The stances of Chinese dairy firms on the policy change varied considerably by regions and products. It prevented the dairy industry from fostering forceful collective opposition against the reform. Besides, the dairy industry did not find strong allies within the state either.

**Focusing events, media reports and social mobilization**

In the cases of urban demolition policy reform and the new dairy product safety standard, the crises and incidents associated with the problems as well as intense media reports on them drastically heightened attention from the public. In this mechanism, the interaction of media reports, social mobilization and focusing events led to an increased issue salience.

By the time of these three cases, the marketization of China’s media industry had created a certain amount of freedom for Chinese news outlets to select topics of their own choice (Shirk eds.
Since the early 2000s, the emerging new social media, such as the bulletin board system and “weibo” substantially accelerated the spread of information and provided ordinary Chinese with an opportunity to influence public opinion. The fact that the government paid close attention to Weibo and other systems indicates how seriously it sees those media as indicators of public views. Mainstream media and social media have become the major access which part of Chinese have to obtain information and articulate their interests. In the past one decade, the development of mass media, particularly the internet, has changed the participatory behaviors of many Chinese. Relying on new technology and the commercialized media outlets, they explored more effective channels outside the formal system to influence policy makers and governmental agenda.

Nonetheless, as discussed earlier, mainstream media and internet are not equally accessible to all segments of population in China. The gap between rural dwellers and urban well-educated residents in internet penetration rate was significant, which made critical difference on their capacities to disclose problems, frame issues and mobilize support to protect their rights and interests.

As the urban demolition case and the dairy safety issue show, forced demolition and tainted baby formula gained nationwide attention because the media publicized focusing events. Focusing events in turn stirred up public outrage toward local governments or the central government, and threatened the legitimacy of the state itself unless it acted immediately to respond to problems. In this way, media reports and the public participation broadened the scope of conflict. Because social stability is the first priority of the party-state, when the previously indifferent population was mobilized to oppose the existing policy, policy makers were strongly motivated to consider the necessity of policy change. In the RCMS case, the media and wide range of urban population did not show strong interest to rural health issues. Absence of the involvement of media and the public, the
policy debate of the RCMS reform was limited within a small number of political elites, officials and experts. The pro-reform force appeared weak over long time and did not mobilize more social support from the outside of the policy subsystem.

**Policy entrepreneurs**

Policy entrepreneurs affected agenda-setting in three cases. However, the influence of the policy entrepreneurs was more important in the RCMS reform, in which focusing events and social mobilization were absent and the policy recipients were very weak in political capacities. The policy entrepreneurs in governmental departments, medical schools and international organizations possessed high-quality information and knowledge on the issue. They also possessed access to influence policy makers to varying degrees. Given the fact that the rural population was unable to bring the issue to the attention of decision makers, policy entrepreneurs played a vital role to increase RCMS issue salience and reframe problem definitions.

**Fiscal cost**

Fiscal cost is the other major factor which severely influences the priorities of policy makers. Every government controls limited resources and has to concentrate its resources on the most urgent problems (Baumgartner and Jones, 2009). Given its other priorities, the fiscal cost of improving the RCMS was too large for the central government in the 1980s and 1990s. Fiscal limitation thus became a serious obstacle for the central government to intervene in the collapse of the traditional RCMS; but reforms that led to a new dairy product safety standard and urban demolition policy did not require a large fiscal outlay by the national government. This factor might well have influenced the cost-and-benefit calculation of policy makers in these two cases.

**The dynamics of policy change and agenda setting**
According to the analysis of the influences of five factors, the study puts the three cases into three models as following,

**Weak policy recipients versus weak opposition**

When the overall political capacity of policy recipients was weak, the issue appeared dormant to policy makers. The example is RMCS issue in 1980s and 1990s. The size of affected population was large. However, rural dwellers had no mass organizations or representatives to build an issue on the governmental agenda. They also lacked sufficient political skills and knowledge to draw attention of the media and the public to their problems. Therefore, although opposition to policy reform was not necessarily strong, peasants had difficulties to organizing and articulating their interests and demands. In the absence of a framing event, this is the kind of “creeping” social problem that eludes easy observation and requires policy entrepreneurs to define it for government policymakers. In that situation, the involvement of elite advocates redefined policy problems and increased the issue salience to policy makers, and in this way facilitated agenda setting and policy change in 2001-2002. Although the opposition of policy change appeared weak as well, due to the weak pro-reform force and expensive solution to address the existing problem, the issue remained low status on governmental agenda and the process of policy change was protracted.

**Strong policy recipients versus weak opposition**

In the case of the dairy safety policy, the affected population was much stronger than rural dwellers in the sense of political capacity. While consumers of dairy products had no nationwide organization to influence the policy makers, the dairy industry was not organized well enough to resist the reform. Besides, the images of dead children and babies with kidney failure were powerful political forces, any opposition appeared weak in this conflict. In this situation, the focusing events,
media reports and the participation of the public in policy debate produced a forceful pressure on policy makers. The melamine scandal and intense media reports on it were essential to social mobilization and the increase in issue salience.

**Strong policy recipients versus strong opposition**

In the case of the urban demolition policy, policy recipients had strong political skills and the consciousness of property right, which means they were more media-savvy and adept at organizing collective petitions to protect their right, earning sympathy from other social groups and bargaining with officials and interest groups. Their actions had effectively increased the issue salience in 2007 and 2009. However, these behaviors did not necessarily result in policy change. The prevailing understanding on the issue and institutional arrangement of the policy impeded the emergence of new ideas and issues from the outside. The opponents of policy reform such as the real estate industry and local governments constructed stubborn resistance against change. Accordingly, the study finds that strong opposition led to the rise and fall of the urban demolition issue on the governmental agenda.

In the cases of the dairy policy and the RCMS, once the issues were built on the government agenda, the central government concentrated a large amount of political capital and resource to embark policy change and the new policies were issued within a short period of time. Yet in the demolition policy case, the severe interest conflict between pro-reform groups and those resisting change prolonged the process of policy evolution. The demolition issue was set on the agenda in 2007 after a myriad of petitions and several focusing events. However, it failed to retain the agenda status and became unobtrusive again between 2007 and 2009 because the policy change encountered tenacious resistance from some local governments and real estate developers. Under that
circumstance, the focusing event in 2009 and heightened media coverage on that incident as well as the increased public attention on housing issue were essential to policy change. Meanwhile, as more homeowners were affected by urban demolitions and housing prices, their awareness of property right became greater. These factors persistently mobilized support from the outside of the policy subsystem and produce even stronger pressure for change.

The typology below illustrates the power distribution in the original policy subsystem between policy recipients and the vested interests that tend to resist change. The horizontal axis shows the *level of political capacity of policy recipients*. From the left to the right, political capacity turns stronger. The vertical axis shows the *degree to which the vested interest opposes policy change*. From the bottom to the top, the strength of opposition grows stronger. Cells A, B, C and D represent four types of conflicts in policy subsystem. Each ideal type represents different courses of issue development on the governmental agenda. Some conflicts and problems in policy subsystems are more likely to be noticed by policy makers and put on governmental agenda, whereas while others might undergo long-term silence or meet stronger resistances in the process of policy change. According to the two dimensions, the three cases fall into three different areas in this coordinate.

![Figure 6.1. Power distributions between policy recipients and opposition](image-url)
The study argues that the policies that locate in the cell D with strong policy recipients and weak opposing forces are most likely to reach governmental agenda and get reformed. The policies in the cell B with strong policy recipients and strong opposing forces may gain the attention of policy makers, but the agenda setting and policy change process are protracted because of the intense competition between two interests. The policies that locate in cell C with weak policy recipients and weak opposition have difficulties in capturing attention of policy makers and reaching political agenda. But, once the issue gains high status on the agenda, the following change is going to relatively quick because of the weak resistance it may meet.

The three-case study in this research does not cover the type of policies in cell A, which has weak policy recipients and strong opposing forces. Presumably, this category of policies on the one hand lacks sufficient pro-reform forces and on the other hand encounters strong resistances from the vested interests. In this situation, the problems may exist and be bad, but nobody sees them either because they are hidden from the view or because powerful forces keep policy makers and other
political forces from seeing the conditions for what they are. Under China’s circumstance, when the party-state itself turned to be the vested interest which means the reform is likely to erode the interests of the single-party regime, it is extremely difficult to promote policy change. Any social groups and pro-reform forces appeared weak in front of state under current rule of game. These conditions often happen to reform the State-owned enterprises, anti-corruption policies and the policies involved with political institutional reform such as election, press freedom and independent court. Therefore, this category of policies has the smallest chance to gain agenda status, compared to other three types of policies.

The power distribution shapes the basic pattern of policy change and agenda setting. However, as the three cases show, factors such as elite advocacy, focusing events, heightened media coverage and public attention could influence the power of two sides and facilitate the process of policy change. This classification based on the nature of interest conflict within the policy subsystem serves to improve our understanding on the dynamics of policy change in China.

This research argues that policy change in China is not monopolized by a few policy makers. Instead, the politics of policy change reflects the power and influence of various actors and the interactions between them. From this point of view, economic and social developments in China bring important changes in China’s politics, particularly in policy making processes. Overall, as the cases suggest, the process of problem definition, agenda setting and policy change has been more pluralistic, permeable and complex than superficial views of the authoritarian state would suggest.

**Political Structure, access and limits**

The research has showed that various actors inside and outside the state were involved in policy change. Their participation relied on different access. China’s political structure shaped the
ways in which they influenced problem definition, agenda setting and policy change. On the one hand, the increased permeability of policy making process, as the three cases illustrate, means that the political structure in China has undergone some changes; and more actors such as media, policy entrepreneurs and even regular Chinese today have opportunities to create an issue and bring it to attention of policy makers. On the other hand, the dynamics of policy reform in this study also show that China’s political structure still contained many limits which resulted in unequal powers that actors possessed to influence issue definition and agenda setting and therefore caused delayed reaction of policy makers toward policy problems.

The research finds eight ways in which the actors influenced problem definition, issue salience and agenda-setting: submitting policy review letter and statement to the National People’s Congress or government departments, policy advice report, attending government conferences, litigation, individual petition visits and letters, elite advocacy, focusing events, media reports and social mobilization, and letters to editors of national or local media outlets.

Table 6.2. Access, actors and participatory behaviors

<table>
<thead>
<tr>
<th>Informal/formal</th>
<th>Means to influence agenda setting</th>
<th>Actors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal</td>
<td>Petition letter for policy review (政策审议信)</td>
<td>Scholars, lawyers and home owners</td>
</tr>
<tr>
<td>Formal</td>
<td>Policy advice report (意见书)</td>
<td>Sub-national government officials</td>
</tr>
<tr>
<td>Formal</td>
<td>Government conferences</td>
<td>Leaders, bureaucrats, experts, and representatives from industries in some cases</td>
</tr>
<tr>
<td>Formal</td>
<td>Litigation</td>
<td>Home owners</td>
</tr>
<tr>
<td>Informal</td>
<td>Petition letters and visits and other small-size</td>
<td>Home owners</td>
</tr>
</tbody>
</table>
### Social Actions

<table>
<thead>
<tr>
<th>Forma/Informal</th>
<th>Elites advocacy</th>
<th>Senior officials, researchers, international organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal</td>
<td>Focusing events, media report, Posting, comments, hacking and other online behaviors, social mobilization</td>
<td>Media, homeowners, and consumers of dairy products, the public</td>
</tr>
<tr>
<td>Informal</td>
<td>Letters to editors of national or local media outlets</td>
<td>Peasants</td>
</tr>
</tbody>
</table>

As the three cases illustrate, policy advice reports and government conferences were not accessible to the actors outside of the state. In the demolition regulation case, local governments used policy advice reports to resist the policy reform. However, regular Chinese could not influence agenda setting through these mechanisms. Petition letters for policy review, litigations and petition letters and visits were formal channels and accessible to regular Chinese. They were adopted by home owners in the case of the demolition policy, but home owners and other proponents of policy change failed to capture the attention of decision makers by these means.

If, as mentioned earlier, elite advocacy, focusing events and media reports, and social mobilization were the most effective mechanisms to increase issue salience and to change issue definitions, we now must address the core questions: why they work best in China’s environment, and what constraints they have.

To govern a market-oriented economy and increasingly pluralistic society, China’s policy makers today rely more on experts and bureaucrats with strong professional backgrounds and high quality information, especially when it comes to knowledge-intensive policy. A few leaders of party-state cannot run such a complex society in China. In essence, this institutionalized meritocracy (Fewsmith, 2013, Wang, 2006 and Nathan, 2003) has reformed its system to learn new information.
and recognize problems by increasing its reliance on technical bureaucrats, experts, scholars and think tanks. It explains why the policy makers in China are able to address problems by policy change and innovation promptly, at least more effectively and successfully than their counterparts in other non-democratic regimes that has decayed such as Soviet Union. In the RCMS case, the policy recipients were politically incapable and the policy problems did not capture attention from the media and the public. In this circumstance, policy makers were not sensitive to the problems. Senior officials and other policy entrepreneurs such as the MOH officials, health experts and international organizations played vital roles to promote agenda-setting and policy change.

Nonetheless, the limit of elite advocacy model in China’s political structure is evident. Although they have greater influences on the perceptions and priorities of policy makers, technical bureaucrats and intellectual elites have their selection bias on issues and policy proposals. Like other political or social groups, technical bureaucrats, scholars and other policy entrepreneurs have their own preferences, shaped by their interests, personal experiences, professional backgrounds and other elements. In addition, as the RCMS case shows, the senior officials also faced the resistance emerging from the contests and competitions between different government departments and agencies. The efforts to promote policy reform by the MOH officials were not unsuccessful until 2001. Accordingly, elite advocacy could not organize new ideas, issues and demands from the society to the system comprehensively or promptly.

Focusing events, media reports and social mobilization are other effective mechanisms to promote policy change. Today, the commercialization of China’s mass media and the emerging new social media create more opportunities for Chinese people to join policy debate. Public opinion thus has become an important factor to influence the priorities of policy makers. The significant impact of
focusing events, media coverage and public participation to policy change were reflected in the reforms of the urban demolition policy and the dairy product safety policy. The absence of clear focusing events and limited public participation by the rural poor contributed to the protracted indifference and delayed reaction of policy makers toward the policy problem in the case of the RCMS reform. Not to mention the fact that the health system had become a fiscal problem for local governments, which were reluctant to do much.

Nevertheless, this mechanism contains limits as well. First of all, the public agenda, which is shaped by the media and the public, follows a different logic from the political agenda. Mass media always tends to follow new dramatic events, and the public attention is short-lived in most cases. Solving problems, however, requires sustained attention and efforts. Anthony Downs’s point outs in his theory of the “issue attention cycle” that problems suddenly leap into prominence, remain there for a short time, and then--though still largely unresolved--gradually fade from the center of public attention (Downs 1972). Secondly, the public agenda has been dominated by urban residents because they have more access to internet, smart phone and mainstream media also tends to cater the preferences of their urban readers and audience. Issues that distances from urban lives are inadvertently neglected by both mainstream media and new social media. It is difficult for disadvantaged groups who have little access to media to participate in policy debate and influence public agenda. Accordingly, lacking institutionalized access such as mass organizations and representative institutions for public participation, the media and the public could not produce persistent pro-reform forces to facilitate policy change or represent interests and concerns of all segments of population in the society.

Elite advocacy, focusing events, media reports and public participation were essential to the
development of policy change in the three cases. However, these mechanisms had severe restrictions, which confined their influence on agenda setting and policy reform. None of them can replace representatives and mass organizations in organizing and expressing the interests of affected population. To make the agenda setting more responsive and sensitive to pressing problems, it is necessary to create new institutions to provide the outside actors with formal access.

**Institutional resilience and policy making process**

Does economic development necessarily lead to democratization? This is a core debate lasting in Comparative Politics. As this study shows, economic development in the past three decade in China has led to a wide range of changes on political behaviors, and particularly on the participatory behaviors of citizens in the urban areas. This population appeared sensitive to the policies that affected their interests and actively engaged policy debate via media. This change seems not contradictory to the arguments made by democratization theories. Scholars in the school of Structuralism argue that capitalist development produces middle class and working class who gain strong political capacity of self-organization with urbanization, new economic units and new forms of communication and transportation. Democratic participation is possible when the previous dominant class is counterbalanced by the emerging new classes (Huber, Rueschemeyer and Stephens 1993). The political participation of urban residents in the melamine scandal and urban demolition issues suggest that urban middle class and working class have grown and they possessed far stronger political consciousness and skills than peasants. Their collective voice and activities, once formed, constituted significant influence on policy makers’ perceptions and attitudes toward relevant issues. This tide suggests that the continuous urbanization and economic growth in the foreseeable future is highly likely to produce a civil society which might not be completely autonomous from or hostile to
the state, but strong enough to counterbalance the state. Chinese people will eventually demand for more power to influence public policies which influence affect interest.

Then, do the institutions of China’s single-party regime deal with these changes of participatory behaviors by Chinese people in policy making process and the increasing demand on political influence and power? In other words, does the regime adapt to emerging social forces and their soaring political capacities and consciousness which were brought by economic growth and urbanization?

The three cases in this study demonstrate that governmental agendas were responsive to social pressure. Decision makers clearly appeared more sensitive to the problems which showed in melamine scandal case and urban demolition case than rural health problems. Nevertheless, in all cases, after they received feedback from the society, decision makers chose to address problems through modifying policies instead of suppressing discontent.

Nonetheless, three cases also show the limits of institutional adaptability. In this study, the input institutions of the regime to gain feedback and information were not formal, sustained or reliable. Elite advocacy modal and focusing event-media report dynamic both contained defects. The system appeared to have many restricts which prevent regular Chinese from representing their interest and from influencing the government. This made the system fragile in crises and disasters and when social discontent and anger accumulated to a dangerous level.

Therefore, the regime is in need to develop sufficient input institutions to allow people articulate interest and let the government itself to obtain real information and feedback from the outside of the state. The urban homeowners and dairy product consumers had already conducted certain form of collective actions to strengthen their force in the bargain with officials and in
cooperation with the media. Institutionalizing the existing participatory access would help them articulate interests more regularly and efficiently. When it comes to the silent population, such as peasants, formal mass organizations are even more important. Peasant unions and farmer associations could provide them access to reflect problems and express concerns, which would effectively avoid delayed reaction that occurred in the rural healthcare policy case. It shows the necessity to develop formal associations and unions to represent the interest of people and to facilitate interest intermediation in the severe conflicts during public policy making process. The similar model in Western Europe, so-called Corporatism provides rich experience to learn.

This institutional arrangement, although different from competitive election system, is still risky to the party leaders. New input institutions will inevitably empower people and let people self-organize. The mass organization and unions would increase the strength of social forces and produce more equal interaction between the state and society. In a country where tight state control on the society is one of underpinnings of regime durability, to remove the ban on organizations and unions is a difficult decision to make.

Interest conflicts which are expressed without institutions and organizations are easy to demonstrate in the form of violence outside the system, which in many cases appear more dangerous to the regime survival. To keep the persistence and resilience of the regime, an authoritarian regime uses a variety of tools such as coercion, propaganda, censorship, expanding the ruling coalition and so on. This research suggests that the most effective and direct tools that China’s government adopts to maintain social stability and to meet demands of Chinese people are policy reform. The political agenda keeps adjust to changes and responds to problems, which makes the governance robust. Accordingly, this research shows that developing more input institutions not only benefit
people but also help build accountable and responsive government which is critical to the resilience of the regime.

Accordingly, this research has implications regarding the impact of policy change on China’s future politics. It agrees with the point that Shi (1999) made in his research on the mass political behavior of people in Beijing. Shi contends that the new participatory behaviors in China might not force the party-state to start democratization any soon, but such a pressure may encourage reformers within the government to develop a new way to rule. The process of agenda setting and policy change in China has become more permeable and pluralistic than in the pre-reform era. The emerging social groups are seeking to exert greater influence on policies, which affect their interests. This trend might stimulate decision makers to develop new institutions to let peasants, property owners, dairy consumers and many other Chinese represent their interests more systematically and effectively within the political system, or at least not create obstacles to interest aggregation and mobilization.
References

Chapter 1


*Chapter 2*


**Chapter 3**

Interview

Interview 1, Economist, the People’s Government of Zhejiang Province

Interview 2, Policy analyst, the People’s Government of Zhejiang Province, Professor, Zhejiang University

Interview 3, Senior consultant, the People’s Government of Zhejiang Province, Professor, Zhejiang University

Interview 4, Senior policy advisor, the Chinese Academy of Social Science (CASS)

Interview 5, Economist, CASS

Interview 6, Economist, CASS, visiting researcher, Fairbank, Harvard University

Interview 7 Former journalist, Caixin Magazine

Interview 8, Health public expert, CASS; Consultant, the State Council

Interview 9, Economist, CASS; Consultant, the State Council

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Interview 12, Retired Official, Ministry of Health


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Chapter 4
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Interview 15, Senior consultant, the People’s Government of Zhejiang Province, Professor, Zhejiang University

Interview 16, Senior policy advisor, the Chinese Academy of Social Science(CASS)

Interview 17, Economist, CASS


Chapter 5
Interview
Interview 17, retired official, State Development and Reform Commission, State Council, China


Chapter 6


