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# Policy Forming Mechanisms in Rural China

*This paper provides an overview of major policy changes in rural China over the past 30 years and then focuses on the discussion of eight policy making mechanism using policy examples for illustration. Finally, it briefly discusses the trends in policy making in today's China.*

**Key words:** rural China, reform, policy making, policy making mechanism

## Policy Changes since 1978

Economic reform in rural China has been active since December 1978, when the Chinese Communist Party first initiated reforms in hopes of fostering self-sufficiency among farmers. Before the reform, Chinese agriculture was structured in a way that all resources, such as land, tools, equipment, and products, were under the control of people's communes. Due to the lack of ownership, farmers did not have much motivation to engage in work, and therefore the overall agricultural production was low. With reform, the Party hoped to achieve a New Socialist Countryside in the 21<sup>st</sup> century that would be self-sufficient and self-sustaining. Since 1978, social and economic policies that shape the rural economic system have undergone numerous adjustments and corrections. This section discusses major changes in China's rural policy in the past 30 years. There are mainly three phases in rural reform.

### Early Rural Reform (1978-1984)

Before 1978, all farm land in China was owned by the state and collectively used by people's communes—collective units in rural areas with economic, political, and governmental functions. The first reform initiative, “Expediting Rural Development” (draft), essentially allowed private use of the public land by allocating land to households or household groups (a set of households), and the larger the household or household group, the more land. Although this policy preserved a collective approach to farming, it emphasized the independent role household groups played in the decision-making process while reducing government intervention. A revision of the policy, titled “Decision on Expediting Rural Development,” contained two policy changes: it stressed equity in reallocation of agricultural resources to individual households or household groups, and it specified circumstances in which farmers could work individually on the allocated land, which was not allowed at all in the past. The government expanded its emphasis on equity in March 1980, equally for completing their required work. Later the central government affirmed various new forms of organization in rural communities, and particularly highlighted the emerging household responsibility system. Under this system, an individual household or a household group assumes the task of production for the government. In January 1982, the household responsibility system was approved and considered part of the socialist collective economy by the central government. This

greatly motivated farmers to engage in agricultural production. The subsequent years saw the household responsibility system thrive in rural China.

As the economic reform progressed rapidly in rural areas, people's communes as all-in-one rural entities (economic, political, and governmental) became problematic and they became barriers to further economic development. This led to a more audacious reform, and as a result, the rural administrative division was established and the people's communes collapsed. The growing popularity of the household production system and the collapse of the people's communes marked the advent of a new era in rural China. On the New Year's Day of 1984, the central government announced a new decision about extending the state lease of land use by farmers. To encourage rural households to invest in the land, the central government promised that the lease period would be at least 15 years. This greatly fortified farmers' confidence in the government and drove another wave of economic growth.

### **Diversification of Agricultural Production and Industry (1985-1991)**

In March 1981, the central government recommended diversifying agricultural products as the next step for rural economic development in a report, "Multi-production for Aggressive Rural Development." This recommendation had broad implications for the rural economy, which had previously focused exclusively on grains. In 1986, the central government expanded its recommendations for diversification by instituting a ratio of food supply to cash crops, and mandating balanced development of agriculture, forestry, ranching, and fishing.

In January 1985, the central government issued ten guidelines to advance the rural economic reform. Under these guidelines, farmers were no longer required to sell their products to the government exclusively, and could freely trade their surplus products (with a few exceptions) on the market. In addition, the government loosened control over agricultural production, providing guidance to farmers but no longer managing production targets. With the institution of these guidelines, farmers had unprecedented freedom to make decisions about their own economic activities.

The following year (1986), rural reform was once again affirmed by the government. In addition, the role of agriculture in the nation's economy was recognized and policy and technology were recognized as two impetuses for rural development.

In 1984, the central government provided policy support for rural enterprises owned/operated by individual households or a set of households. In 1986, the government relaxed its control over farmers' non-agricultural industries and enterprises. In the years thereafter, rural enterprises grew rapidly and supplied new blood to the rural economy.

### **Stability and Marketization (1992-2002)**

In 1992, rural reform entered a new phase toward stability and marketization. Major policies in this phase include:

- In March 1992, the State Council increased the purchasing price of agricultural products and repealed a policy that allowed the government to purchase agricultural products from farmers at a low price but mandated that sales to urban residents be at a higher price.

- In September 1992, to further protect farmers' interest, the central government promised that the existing land lease policy would not change for the next 30 years.
- The state council declared its support for rural enterprises and non-agricultural business development.
- From 1992 to 2006, the State Council enacted several policies in support of urbanization and township development.

### **Sustaining Rural Development over Time (2003-present):**

It was well recognized that economic growth in rural areas could not be sustained by agriculture alone, and that existing rural enterprises could not provide employment for all rural surplus labor. When tens of millions of rural people migrated to cities in search of work, policies that had reinforced a rural-urban duality were called into question. A number of new policies have addressed the needs of rural populations and continue to encourage rural development:

- Urban areas are required to develop and improve services for migrating workers and eliminate discrimination toward migrant workers (2003).
- In response to the relatively slow increases in rural per capita income, policies to increase farmers' income are put in place (2004).
- The 11<sup>th</sup> Five-Year Plan suggests the new direction for rural development should be the new socialist countryside (2005).
- 2006-2010 is recognized as a critical period for rural development (2006).
- Migrant workers are recognized as a crucial component of the nation's economy (2006).
- A rural social security system is created, and employment services are provided to urban as well as rural residents (2006).
- Support is voiced for advancing agriculture with new techniques, equipment, and concepts of management, as well as well educated farmers.

### **Policy Formation Models**

Based on the above overview of major policy changes in rural areas over the past 30 years, the following will summarize and review eight policy formation models in China. All these models have played a role in the rural reform until today. For each model, a general discussion is provided first, followed by a description of the policy forming process using a specific example.

### **The Leader-directed Model**

In this model, the policy is formed among the party's senior leaders. After the leaders reach agreement, the policy makes its way through the administration (central, provincial, municipal, county, etc.), and finally to the public.

An example of this model is the household responsibility system policy. The household responsibility system represented a correction in defining private property rights in a collective economy. It would allow individual households or household groups—for the first time—to be recognized as legitimate production units in rural China. The policy was first proposed by Vice Premier Minister Yao Yiling, the director of the National Planning Council, in 1980. With Deng Xiaoping's support, a pilot of the system was implemented in Southwest China. Later that year, Xiaoping praised the system in a public address, noting that “the household responsibility system has turned out to be effective and has brought about rapid changes in some areas . . . some people are worried that this would negatively affect our collective economy. I consider such worries unnecessary.” Hu Yaobang, General Secretary of the Central Committee, suggested some revisions to the policy that would provide more detailed guidelines for rural development. His proposal was passed, and the household responsibility system was enacted on New Year's Day, 1982. It was the first “Central Administration Decree Number One” of the People's Republic of China.

### **The Central Government Think-Tank Model**

In the “central government think tank model,” or “internal consultation model,” a new policy is not proposed by policymakers themselves but by policy researchers in a think tank with ties to the central government. Think tank researchers present a proposal to policymakers with the hope that this proposal will be added to the policy makers' agenda. Think tanks in China generally value the government's feedback more than public opinion. In this model, therefore, the general public is not included in discussions of the proposal.

The first “Central Administrative Decree Number One” (hereafter “Decree Number One”) in the 1980s followed the central government think tank model. A group of rural policy researchers gathered at the Central Institute for Rural Policy (located at No. 9 West Huangchenggen), headquarter of rural reform. Du Runsheng, the rural policy expert, was appointed the director of this think tank. One of Du Runsheng's colleagues recalled, “We spent about one third of the year in rural areas collecting data, one third analyzing and summarizing data, and one third developing policy proposals.” The five “Decree Number One” were the products of this field work, intended to (1) recognize the legitimacy of the household responsibility system; (2) encourage non-agricultural production and businesses in rural areas; (3) improve rural market and promote competition; (4) repeal mandatory production and sales of agricultural products to the government; and (5) increase investment on agriculture and improving rural-urban cooperation. The formation of each of the Decrees started with the research and discussions among researchers in government think tanks. When the draft was development, feedback was collected from provinces and government departments.

“China Rural Development Research Center” (also known as “the State Council Rural Development Research Center”), an example of such a think tank, has received substantial research funding from

the central government. This center is also involved with a number of international cooperative projects. Policy researchers from western countries sometimes meet China's leaders here to discuss policies.

The Think-Tank model, though it has been an effective policymaking tool, has some limitations. With the growth of civil society, the authority of the central government has been fragmented, and the top-down approach adopted by the central government has encountered tremendous defiance from local governments. Consequently, these policies are not well implemented in some areas. It has turned out that farmers are the real force of rural reform. In some instances, the government's policy should follow and recognize the creative changes farmers have already implemented on their own. For example, the household responsibility system existed in 1978, long before it was eventually legitimated in 1982. As some policy makers are beginning to realize, the long-lasting problems in rural areas cannot be solved if farmers do not have a voice in policy making.

### **Departmental Piloting Model**

The Chinese government is centralized with five levels: central, provincial, prefecture, county, town/township. For example, the department of agriculture exists at all five levels and the five levels altogether are referred to as the "rural vector." There are a number of vectors in the government and each provides an avenue for messages to be delivered from the grassroots to the upper levels of government. This arrangement has turned out to be effective in uncovering problems at an early stage and informing policymaking, implementation, and evaluation. The rural vector has been a platform for policy research, experiments, and communication. When piloting a rural policy, the rural vector mandates the coordination across different departments as well. "Rural piloting areas" are areas used by the rural vector to pilot new policy.

Rural piloting areas are selected to experiment with new ideas and policies relating to a market economy. Data collected from piloting areas are analyzed to provide an overall assessment; new ideas are formally written into policy and disseminated to other areas. The choice of piloting area is approved by party leaders in each province, while a piloting plan is approved by the State Council. A group is then formed at the provincial level to provide leadership of the piloting plan.

Operations in the rural reform piloting areas are standardized to include six stages:

- Investigation and research
- Program development
- Program testing and assessment
- Staff training
- Program implementation and monitoring
- Outcome evaluation and follow-up

The piloting areas have a project management system, requiring complete piloting objectives, steps, and a project period. Because some pilot projects are so innovative that they may contradict some of the existing policies, the central government asks that each province address these problems to the best of its ability, and that inter-departmental support be provided for piloting areas.

As of 2006, there have been 30 approved piloting areas in 21 provinces covering 160 counties and 81.2 million people. The selected areas have piloted over 100 projects with more than 20 themes, including (1) land policy; (2) rural community-based economic organizations; (3) reform of agricultural purchase and sales system; (4) development of township enterprises and the township system; (5) urbanization of rural areas; (6) development of the rural market and industrialization of agriculture; (7) reform of the rural tax and financial system; (8) reform of the poverty reduction policy; and (9) reform of forestry, husbandry, fishery, and state-owned ranches.

Some successful outcomes have been achieved in these piloting areas. For example, reform of the grain purchase and sales initiated in Yuling and Xinxiang in 1990 generated valuable experiences for a nationwide reform later. Another piloting project, an experiment in Yan'an to convert farmland to forest, was also successful.

### **The International Project Model**

The international project model originated from international organizations' and foreign scholars' attention to China's development. In the 1990s, international organizations, seeking to influence policy development, shifted the focus of their aid to China from micro domains to macro domains. Some organizations (e.g., the Ford Foundation) also chose particular research topics with potential to impact policy. Findings from these internationally sponsored research projects were published in research journals, and their policy implications were discussed. In another variation of the model, some international organizations, such as the Heifer International and the U.K.'s Department for International Development, partnered with local governments in China to explore new policy ideas. The United Nations pursued a partnership at a higher level, partnering with the central and local governments to train government officials. The UN also offered policy recommendations based on research findings from international comparative studies.

An example of the international project model is the development of urbanization policies with the help of the United Nations Development Program (UNDP). One of the consequences of China's economic growth is labor surplus in rural areas, which has been a central policy issue in the past two decades. An early policy from 1978 outlined an approach to urbanization: (1) Control the scale of cities; (2) Appropriately develop medium-sized cities; and (3) Promote the development of small cities around rural communities. Legislation regarding urban development was not enacted until 1989, however, and though it had substantial support, it also raised disagreements among government officials. In 1995, the UNDP sponsored a research project entitled "Sustainable Town Development in China" that aimed to understand rural problems and barriers to urbanization. At the conclusion of the project, the UNDP recommended that towns with growth potential, especially satellite towns around large and medium-sized cities to serve as new engines for rural development. The UNDP project was limited to particular areas, but the State Council later expanded this project to evaluate the feasibility of urbanization across the nation. A series of reforms in urban design, household registration, administration, land use, finance, etc. resulted from these projects. Township

development has been successful overall regardless of the underachievement of some of the goals. It is town development that points to the right direction for urbanization in China.



### **The Local Government Piloting Model**

Given China's vast territory and varied local situations, rural reform requires flexibility. In this regard, local government undoubtedly plays an important role in policy making. The local government piloting model generally begins with selecting an area (province/city/county/town) for experimenting with a new policy idea. Guidelines about the experiment are provided by the central government first. The next step is for local governments in selected areas to be well informed of the central government's intentions and approach to the policy experiment. In practice, the local government needs to form leadership and mobilize resources in local communities to carry out the experiment.

The rural tax reform in Anhui province presents an example of the local government piloting model. The pilot was based on recommendations of He Kaiyin, a well known expert on rural China, who believed that the key to rural economic development was reducing tax burdens on farmers. His concern about rural taxes began in 1985 when Anhui's crop yields were stagnant, and various taxes and fees mounted to 22% of an average farmer's income. In 1989, the Xinhua News Net reported Kaiyin's opinions on rural taxation, and the report drew the attention of the central government. Kaiyin was later asked to develop a proposal regarding a pilot study in Anhui province, and in 1993, a pilot of rural tax reform was implemented in Xinxing Zhen. This experiment was well received by farmers in the local area, who appreciated that their taxes were reduced to 30 Yuan/mu. Following this success, the pilot study was expanded to the entire county, and later to the entire province. Finally in 1999, numerous taxes and fees imposed on farmers were repealed in the province. After this, a series of national rural tax policies were implemented that called for provinces to reduce the tax rate by one percentage point each year, and repealing the agricultural tax altogether after five years. As of January 1, 2006, farmers in China no longer pay agricultural tax.

To summarize, the tax reform started in a local rural community, and then expanded to the county and the province. It eventually became a nationwide reform and resulted in fundamental changes in the rural tax policy. The pilot study allowed the government to evaluate the feasibility of the reform and to be able to revise policy based on research evidence. In addition, the tax reform in rural areas mandates a reform in other fields such as public finance and public goods/services.

### **The People's Political Consultative Conference/Congress Model**

The Chinese People's Political Consultative Conference (CPPCC) is an organization that promotes patriotism and unity. The CPPCC consists of people from various parties and fields who are socially active and politically influential. Their responsibilities are mainly to connect with the public, to understand and represent the public's interest, and make recommendations to the Communist Party. The role of the CPPCC in policy making is highly regarded by the central government. Similar to the CPPCC, the People's Congress also has a mechanism which allows policy proposals to be presented to the central government.

The implementation of a rural minimum standard of living is an example of the CPPCC model. The process began with research. In 2006, the Social and Legal Committee of the CPPCC conducted research in more than 30 counties across the nation. They found that 15 provinces had established and implemented a rural minimum standard of living by 2005, which covered nearly half of the rural

population. In 2005, local public expenditures on the rural minimum standard living system were 2.5 billion Yuan, benefiting 8.25 million rural Chinese. By this standard, if the minimum standard were applied in rural China, the figure would be 6 billion Yuan, still far less than the cost of the urban minimum standard of living (19.2 billion Yuan). Given its low costs and wide coverage, the Social and Legal Committee of the CPPCC considered it feasible to implement the minimum standard of living as a national social assistance policy. This recommendation, which appeared in Decree Number One of 2007, called for the establishment of the rural minimum standard of living, with the central government offering funding support for poor areas. By February 2007, 23 provinces had established this standard, targeting a total population of 15 million, an 82% increase from the previous year. The total cash assistance was 4.2 billion yuan, a 64% increase from the previous year.

### **The Public Participation Model**

With economic reform, the general public has become increasingly engaged in political participation. There are a number of ways for the public's voice to be heard by the government, such as focus groups, hearings, hotlines, and Internet forums. For many Chinese citizens, participation in the political process can be challenging because, first of all, they have no idea about what is happening in the public arena due to the tight control of political information; second, there is a lack of political participation in general – people are not aware of their role of opinion supervision and monitoring. With the popularity of news media, this has been changing gradually however. An example of the public participation model, the Sun Zhigang case reflects the growing awareness of political participation by common people and the success they have accomplished in the political process.

In 2003, Sun Zhigang, a college graduate seeking jobs in Guangzhou, a city far from his hometown, died unfortunately while he was detained because he failed to present a temporary residence permit. Sun Zhigang was an indirect victim of the detention regulation that was implemented in urban areas to protect citizens from homeless migrant workers. Since farmers were allowed to move into cities in 1984, unemployed and sometimes homeless farmers who migrated to cities in search of work have been an increasing social problem. Local governments often required migrating workers to obtain temporary residence permits, or they send the homeless (i.e., professional beggars) back to their hometowns according to the detention regulation.

The Sun Zhigang case was first reported by the Southern Metropolis Daily, and then was followed up by many other journalists. The Internet provided an important avenue for people to discuss the existing detention law, which was apparently unfair to numerous migrating workers and the urban homeless. Three scholars with legal expertise, Yu Jiang, Teng Biao, and Xu Zhiyong, appealed to the People's Congress regarding this case, and requested a constitutional censorship of the detention regulation. What they did was concurred and supported by a number of well-known scholars as well as the general public by means of newspapers, internet forums, emails, and telephone calls. As a result of this public outcry, the State Council rescinded the detention regulation.

### **The Multiple Think-Tanks Model**

As Chinese society becomes increasingly diversified, it is important to bring multiple stakeholders into the policy making process. It is clear that not all social problems can be successfully addressed by the government or the market alone. The multiple Think-Tank Model describes a model of

collaboration between government entities and various stakeholders, including researchers, scholars, and international organizations.

The model includes a wide variety of forms of collaboration, with the following being the most common:

- The central government invites a limited number of scholars and experts to contribute to policymaking.
- The government sponsors research projects to inform policy-making.
- Research institutes and universities present information collected from academic or professional conferences to the government.
- Enterprises invite experts and government officials to attend a conference with a policy theme.
- International organizations collaborate with the central or local government to conduct research projects and develop policy proposals.

In addition, well-educated elite are playing an increasingly important role in policy making. Some of them even have direct contact with the central government to provide policy consultation. They sometimes are invited to give lectures to senior leaders.

The State Economic System Reform Commission was the most influential think tank in the 1980s. Since then, other think tanks, such as the Development Research Center of the State Council, the Academy of Macroeconomic Research under NDRC, the China Science Academy, China Social Science Academy, departmental research institutes and universities have also played a role in policy research and policy consultation. Overall, however, universities did not have much influence on policy making until the late 1990s when a number of scholars returning to China from overseas and founded research centers at top universities, including the China Center for Economic Research at Beijing University (directed by Lin Yifu), the Research Center for Contemporary China at Tsinghua University (directed by Hu Angang), and the Institute for Social Development and Public Policy Research at Beijing Normal University (led by Zhang Xulan).

An example of the multiple think tank model is the creation of healthcare reform in China. In 2007, the Ministry of Public Health of China called for proposals regarding healthcare reform in China. A number of think Tanks, departmental research institutes, and universities submitted their proposals for review in the hope to offer informed recommendations to the central government.

Think tanks are generally flexible and fast in their responses to social problems; they are independent of the government; and they are able to promote trust between the government and the general public. The multiple think tank model is receiving widespread attention in policymaking in today's China.

## Conclusion

Regardless of the co-existence of the eight policy formation models discussed above, the leader-directed model is still dominant. However, with the growing impact of scholars, media, and the general public, the leader-directed model and the central government think tank model are no longer as dominant as before. In contrast, the public participation model and the multiple think tank model have become more important than ever. They represent a major change in China's policy making.

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