

# Introduction

## China's Policy Process and the Resilience of the Communist Party-State

China stands as a major “Red Swan” challenge to the social sciences. The political resilience of the Communist party-state, in combination with a rapidly expanding and internationally competitive economy, represents a significant deviant and unpredicted case with a huge potential impact not only for the global distribution of political and economic powers but also for global debates on models of development. China's exceptional and unexpected development trajectory thus challenges conventional wisdom as well as conventional models of political change. For such a cognitive challenge Nassim Taleb has coined the term a “Black Swan.”<sup>1</sup> Due to the revolutionary red colors that continue to dominate state flags and political symbols in the People's Republic of China (PRC), China's approach to governance should instead be characterized as a “Red Swan,” and it requires a rethinking of conventional assumptions and models in comparative politics.

Traditional models of political systems predominantly concentrate on classifying types of regimes on a spectrum that ranges from “democracy to dictatorship”<sup>2</sup> and pointing to a large gray area of “hybrid” or “fragile” systems.<sup>3</sup> Based on the experiences of the collapsed socialist systems in the former Soviet Union and Eastern Europe, political systems in which Communist parties maintain a

monopoly on power are only credited with a marginal ability, if any ability at all, to adapt. Communist one-party systems not only show fundamental political defects (a lack of checks and balances, suppressed pluralism of opinion, and violations of civil and political rights), but historically they have also been extremely inflexible in terms of institutions, political objectives, and state activities. The standard literature on socialist systems therefore disputes their ability to make improvements with respect to administrative organization, economic coordination, technological innovation, as well as their ability to compete on the international stage.<sup>4</sup>

This traditional approach to systemic classification, however, is not helpful to understand the dynamics in the PRC, a system that is unexpectedly adaptable and versatile in many policy fields, particularly in regard to economic and technology policies. The observation that many official institutions in the PRC are similar to those in the former Soviet Union or the former German Democratic Republic does not contribute to an understanding of the completely different capacities and outcomes of state activities. A better feel for China's development dynamics requires the use of analytical perspectives that go beyond preconceived regime typologies.

To avoid the inherent limitations of typological approaches, this book uses analytical approaches drawn from policy studies. One methodological principle of policy studies disaggregates political systems into policy subsystems, each of which is characterized by very different dynamics.<sup>5</sup> The focus is on the manner in which action programs in China's governmental system can be developed, formulated, implemented, adjusted, and revised. Therefore, policy making is seen as an open-ended process with an uncertain outcome, driven by conflicting interests, recurrent interactions, and continuous feedback. It is not regarded as being determined in a straightforward way by history, regime type, or institutions. The discovery of policy and institutional alternatives in a constantly

changing political-economic context is the most uncertain and demanding part of the policy process.<sup>6</sup> The keys are the political and administrative methodologies as well as the capacity to deal with both existing and emerging challenges, the correction mechanisms when things go wrong and conflicts arise, and the adaptive capabilities in constantly changing economic or international contexts.

Such process- and action-based studies of the dynamics of state activity over time go beyond abstract, generalized, systemic, or institutional perspectives. Thus this book is not concerned with the “hardware” of the political system (constitutional bodies, leading party organs, bureaucratic organizations, and so forth), nor does it focus on examining isolated variables on their own (the concentration of power, hierarchical control, legal certainties, inclusive versus extractive institutions, and so on). Instead, the focus here is on the “software” with which action requirements and action programs are processed in Chinese politics.

Consequently, the chapters in this book deal with the typical mechanisms that bring otherwise cumbersome bureaucracies and static constitutional rules to life. The analysis centers on observable patterns of interaction and feedback, methods for dealing with problems, adaptive capacities, as well as policy outcomes and potential novel approaches in specific action areas.

A key advantage of this kind of policy analysis is that it provides an open perspective: when new requirements for government action or regulation emerge (and in their wake, new problem definitions and new interests and conflicts), these policy studies can grasp such shifts in a straightforward manner. However, preconceived regime and institutional analysis tends to be blind to new and divergent observations and developments that do not fit into predefined analytical frameworks. From a teleological view, social-science research is often fixated on the search for signs of a “real” market economy or a “real” democracy in China. This

perspective tends to shut its eyes to surprising observations, unexpected features, and unorthodox mechanisms that may provide a non-democratic system, such as that in China, with surprising agility and capacity with respect to policy innovation.

### The revolutionary origins of China's policy process

Unlike in Russia and Eastern Europe, the imposition of a national Communist regime in China required nearly three decades of revolutionary mobilization and struggle. This protracted process gave rise to a particular “guerrilla-style policy-making” approach<sup>7</sup> that proved capable of generating an array of creative—proactive as well as evasive—tactics for managing sudden change and uncertainty. This policy style allows constant adaptation to changes in the surrounding environment and justifies continual adjustments during implementation. It produces maximum creativity because policy makers are required to:

- test and constantly push the limits of the status quo and seize every possible opportunity to change the situation to their advantage;
- keep the core strategic objectives firmly in mind, yet to be as agile and pragmatic as possible in choosing tactical and operational means;
- tinker with a full range of available operational tactics and organizational approaches, be they traditional, non-traditional, or even foreign;
- search for and exploit random opportunities and discoveries that promise to promote political power and strategic goals.

The guerrilla policy style of policy making that enabled success in the unpredictable military-combat settings of revolutionary times

bequeathed a dynamic means of navigating the treacherous rapids of transformative governance during both the Mao era (“socialist construction,” “permanent revolution”) and the post-Mao era (“reform and opening,” “socialist market economy,” “joining the WTO”). Its core features continue to shape present-day policy making and contribute to the flexibility and volatility of Communist Party rule.

At the same time, a guerrilla policy style has fundamental flaws: a lack of democracy and political accountability, undue administrative discretion, and the single-minded pursuit of strategic policy goals (e.g., economic growth or demographic controls), with little regard for the deleterious side-effects that often emerge only over time (e.g., environmental degradation or gender imbalances). As demands from Chinese society for political accountability, legal entitlements, and a social safety net increase, public tolerance for guerrilla-style policy making may well decline. Chapter 1 in this volume thus focuses on the mechanisms that characterize guerrilla-style policy making.

### Experimental programs and policy innovation

Since 1978, decentralized reform initiatives and local reform experiments capable of becoming nationwide political programs have had the utmost importance for China’s economic development. This represents a special methodology for policy experimentation (*zhengce shiyan*) that is able to open up a wide range of unimaginable opportunities for action in a cumbersome, bureaucratic, and authoritarian system of government.

This special methodology, which also finds expression in the rather idiosyncratic Chinese terminology used to describe it, essentially consists of three steps. First, local “experimentation points” (*shidian*) or local “experimentation zones” (*shiyanqu*) are

established. Second, successful “model experiments” (*dianxing shiyan*) are identified under these pilot experimental projects and expanded “from point to surface” (*you dian dao mian*, or *yidian daimian*) to test the extent to which the new policy options can be generalized or need to be modified. Third, the policies are not implemented in national legislation until they have been thoroughly tried and tested in a real-life administrative environment, a process that usually takes a number of years. As an example, it took twenty-three years from the first experiments with insolvent state-owned enterprises (SOEs) in 1984 until the national Bankruptcy Law entered into force in 2007, during which time many experimental regulations were tested in this controversial policy area, initially in individual cities, industries, and companies.

The internationally best-known variants of such experimentation are China’s special economic zones (SEZs) (*jingji tequ*), which were explicitly set up to be open to the outside world and to be governed by modern economic regulations. Almost without exception, the most important policy reform measures—ranging from rural decollectivization, to management reforms in SOEs and the setting up of stock markets, to reforms in the rural health system—were initiated in decentralized experiments that remained subject to selective intervention by high-level leaders of the Chinese Communist Party (CCP) and the government. The essential interplay between decentralized and centralized initiatives stimulates the experimental-policy procedures in China: some phases of the experimentation process are strongly decentralized (the initiation of local experiments and the execution of official experimental programs), whereas other phases (the identification of successful, local “model experiments” and the initiative to expand “from point to surface”) are centralized. Overarching policy targets are set centrally, but policy instruments are developed locally and then tested before they are applied throughout the country.

In practice, the experimental approach allows new solutions to be identified and adapted for continually emerging requirements during the permanent search process. This particular approach of step-by-step policy making is a critical prerequisite for China to have been able to carry out such comprehensive political and institutional changes since the 1980s—in spite of the many institutional, policy, and ideological forces of inertia—without resulting in the collapse of the party-state.

The Chinese approach to developing reform and innovative measures is unconventional because the testing of new action programs routinely occurs ahead of the national legislation. In the policy cycle of democratic constitutional states, a law or regulation generally kicks off policy implementation, and as a matter of principle administrative activity is bound by statute. However, the experimental state activity practiced in China is incompatible with the strict standards for the legality of administrative actions. Testing out reforms before enacting legislation is, however, key to understanding the ability to adapt and innovate that China's system of government has demonstrated in many policy areas since 1978—not only with respect to economic and technology policies but also in the expansion of its social-security systems. Policy experimentation as a key driver of policy innovation in the Chinese polity is the subject of Chapters 2–4.

### **Development planning and long-term priority-setting**

The Chinese leadership regards one of the greatest strengths of the PRC's political system as the opportunity to set long-term development priorities and to “concentrate power” (*jizhong li-liang*) on large, national projects. In contrast, it is felt that one of the greatest weaknesses of democratic political systems is