

## CHAPTER 4

# Maximising support for pension reform using policy experimentation, and the potential to backfire

With the emergence of market orientation, the socialist and post-socialist countries were confronted by the challenge of conducting proper reforms to their welfare systems and retrenching the demands that their legacy arrangements imposed on the state. However, because the Chinese public had not reached a consensus regarding the relative shares of the state and the individual in welfare responsibility, movements contradicting the previous image of the state–individual relationship were potentially controversial.

In addition to its propaganda for change, reviewed in Chapter 3, an essential element of the Chinese government’s statecraft was a strategy of regional *experimentation* with shared welfare responsibilities. Regional pilot schemes were deployed to facilitate the public understanding of shared welfare responsibility on the pretext that the public had not reached a social consensus. Meanwhile, the official propaganda of local governments emphasised government omnipotence, which assisted them in managing public faith in regime capacity and governance.

In this chapter, I take advantage of a quasi-experimental pilot policy in China, referred to as the ‘pension insurance pilot scheme in urban areas’, to explore the case of hybrid responsibility of welfare provision. This empirical analysis offers a counterfactual analysis of the effect of policy intervention and official propaganda on the attitude of welfare responsibility allocation and regime support of the general public by taking advantage of the pilot policy launched by the central government in selected provinces. With the help of two nationwide surveys (*‘Chinese Attitudes toward Inequality and Distributive Injustice’*) conducted in 2004 and 2009, I collected over 5,000 randomly pooled cross-sectional data results for residents in eight treatment and 12 control provinces.

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The empirical results show that the pilot policy launched by the Chinese central government significantly affected the citizens' understanding of shared responsibility and privatised social risks in general and that the public apparently accepted the underlying accentuation of the individual's responsibility for pension contributions. The length of time that the policy has been in force amplified the attitudinal change in individuals' perception of the government's role. Local official propaganda, which emphasised the image of an 'omnipotent government', moderated the treatment effect of the pilot scheme on the public's understanding of shared responsibility. In other words, local propaganda helped the regime to maintain the public's faith in the government's capacity and responsibility for social welfare provision, while gradually implementing the experimentation policy.

Beyond the attitudinal change toward individual welfare responsibility, I also find that the influence of policy propaganda interfered with the pilot policy, as shown by the contradictory finding about the public's political trust. Controlling for other factors, short-term exposure to the local propaganda – which praised the government's efforts to respond to people's expectations and improve people's living standards – increased the public's confidence in institutions. However, the disjunction of the policy content, which set out to share with individuals the responsibility for welfare – and content of the propaganda actually backfired on the authorities regarding institutional trust in the long term. Thus, the strategies used by governments were influenced by the conditional and practical aspects of policy promotion and the local governments' handling of the perceived role of the government for public. A mismatch between the policy content and propaganda details is likely to be noticed by the public – especially by members of the target population (enterprise employees) who are more likely to expect a 'big government' that can take care of their social risks – and to weaken their support for the institution.

#### 4.1 Risks in the pension reform and the statecraft of policy experiments

As a special form of society, state socialism adopts a distinct structure of institutions and rules regarding development, production relations, and welfare provision (Polanyi and MacIver 1944). The basic principle of state socialist regimes is that material resources are distributed through central planning and a system of political identification. Take the example of China. Before the reform and opening up in the late 1970s, the state organised and governed individuals through work units (*danwei*) in urban areas and people's communes (*renmin gongshe*) in rural areas. However, the redistributive principle posed serious challenges to governance continuity. In particular, collective ownership hindered production efficiency, while the offering of incentives for productive

improvements and the scarcity of resources cultivated a sense of ‘manipulated equality’ among privileged groups (Kornai 1992; Szelenyi 1978). The unsustainability of such institutionalised settings pressured state socialist countries in the late 20th century to pursue market reforms (Szelenyi and Szelenyi 1994). The emergence of market power during the reform led to the change in distributional principles, the return rate of capital and human capital, social structures, and so on (Bian and Logan 1996; Nee 1996). At the same time, the boundaries of the state, market, and society in these state socialist countries were redrawn and negotiated across different sectors, especially in Eastern Europe, eastern and south-eastern Asian countries, and the former Soviet Union. Szelenyi and Kostello (1996) argued that market competition, as opposed to state mechanisms, began to play a greater role in Eastern Europe in 1980–89 and in China after 1985. Subsequently, among the East European countries after 1989, the privatisation of public enterprises became a key state policy.

The transitional process caused profound changes in the social welfare provision in China. Market-induced competition led the state and urban collective enterprises to reduce or renege on pensions, medical costs, and housing for employees (Guthrie 2012; Song and Chu 1997). The responsibility for welfare provision shifted from state institutions to society (including families) and this scheme was identified by the Chinese central government as the ‘socialisation of social welfare’ (State Council 2000a). This special concept captures the change from state-led welfare provision to a welfare system with multiple contributors, in which the state, the market, the sectors of society, and families all share welfare responsibility, and the work units no longer take on the welfare function. To match the socialist market economy, the government promoted joint responsibility as the practical method of funding, service provision and social welfare regulation (Li and Zhong 2009; Wong and Ngok 2006).

This process was similar to the ‘retrenchment’ and ‘risk privatisation’ process in Western welfare states and the emergence of a hybrid welfare system there, in which individuals were given flexibility but increased responsibility for handling the various social risks related to their personal lives, such as ‘unemployment, death of a spouse, retirement, disability, childbirth, [and] poverty’ (Hacker 2002, p. 245). From the mid-1970s onward, welfare states faced rising unemployment rates, high levels of inflation and low economic growth, along with demographic changes that made the social policy increasingly costly and unsustainable. Welfare systems were burdened with extensive problems over ‘low-wage, low-skill labour with low work incentives’, which were severe in the case of ‘welfare without work’ (Anderson and Ebbinghaus 2011; Pierson 2001). Meanwhile, ‘big government’ in welfare provision was recognised as over-committed and underperforming (Mashaw 2006). In these crises, Western policymakers decided to address the new social and economic situation by adopting a neoliberal modernisation strategy (Hall 2001). The welfare regimes in Western Europe, therefore, opted for the retrenchment of welfare provision, including:

policy changes that either cut social expenditure, restructure welfare state programs to conform more closely to the residual welfare state model, or alter the political environment in ways that enhance the probability of such outcomes in the future. (Pierson 1994, p. 17)

In addition to the cutbacks in public spending and other fiscal rearrangements, certain countries started to reconsider citizens' social right in order to legitimise the welfare reforms. For instance, rather than the universal entitlement to social rights for every qualified citizen, welfare support should be provided for the population that truly needs it (Béland 2005; Cox 2001).

Models that offered a choice, such as the contracting-out and welfare-mix model, were popular in developed countries and also used frequently in less developed countries. For instance, the private pillar in the pension system was adopted in the 2000s in countries such as Chile, Mexico, and Uruguay, with varied proportions of public to private (Mares and Carnes 2009). In East Asia, countries such as Korea and Malaysia also expected a fast-expanding private market in social services (Gough 2001). Haggard and Kaufman (2008) located their discussion in the context of the global economic crisis and identified attempts to retrench social policies in Latin America and Eastern Europe driven by the economic crisis and liberalisation, leading to extending a hybrid welfare system in which social welfare responsibilities were shared between the state, the market, and individuals (Benish, Haber, and Eliahou 2017). Individuals now faced long working lives and redefined responsibility in a state-led welfare-mix system where they enjoyed enhanced 'flexibility' and increased 'responsibility'.

As the 2010s began, welfare reform in China gradually stopped its previous pursuit of marketisation and socialisation. The official discourse about social policy now focused on expanding 'welfare coverage' to rural and non-salaried urban residents. Certain scholars have labelled this new trend in the welfare format 'state capitalism' or a 'state paternalistic capitalism' (Gao, Yang, and Li 2013). In this chapter, I focus on the period of 'welfare socialisation' in the 1990s and 2000s, when the main pension reform for enterprise employees was aligned with the marketisation of state-owned enterprises (SOEs). This period was an important stage in which the ideas of 'a welfare system with hybrid contributors' and 'shared responsibility for facing social risks' were developed and actively promoted by the state. Only after the reconstruction of the public's understanding of shared responsibility could the state be confident in diffusing its attempts to expand welfare coverage without incurring huge burdens similar to those in the state socialist period.

Existing studies have carefully examined the details of the pension policy in this period, such as the return rate, coverage, and return on investment of pension trusts (for instance, Li and Ge 2010; Li and Wang 2009; Lin and Ding 2007; Yang, Wang, and Zhang 2010). However, the effects of the transitional process on *social beliefs*, especially public perceptions of the state-individual

relationship and the function of institutional dependency in shaping people's political attitudes, have not been fully investigated. The rhetoric of 'socialism' itself describes the state or state-managed public bodies acting as sources of social welfare – in schemes similar to a social contract – with the cost of low salaries and limited social mobility (Haggard and Kaufman 2008). For instance, work units in urban China before 1978 were subsidised by the state so as to provide not only jobs to individuals but also to generate pensions, housing, education, and health care to employees and their dependents (Lu and Perry 1997). In the rural areas, funds were also allocated for the basic education and medical support or health care of residents (Wong 2005). The socialist institutional setting cultivated a strong image of an omnipotent government, in which the state was expected to superintend the social welfare of the public, especially among urban enterprise employees, who were expected to be cared for 'from cradle to grave' (i.e. with generous welfare benefits). The legacy of this socialist policy was a population with a strong sense of state dependency, attachment to the welfare state and organised stakeholders favouring the welfare setup (Cook 2013).

However, the cognitional inertia of the public's assumptions about welfare responsibility arising from socialist traditions may pose considerable challenges when neoliberal reforms come to be implemented. For instance, Cook (1993) found that workers from the former Soviet Union expressed discontent and to a certain extent jeopardised state legitimacy when the social contracts that used to guarantee their economic welfare broke down. Denisova et al. (2012) analysed data from a survey held in 2006 involving 28,000 individuals from 28 post-socialist countries. They found that transition-related difficulties influenced respondents' support for privatisation reforms, given the preference for state agency and concerns regarding the legitimacy of privatisation. Evidence from East Europe suggested that, when 'literally over a single night, all the things that had been taken for granted were no longer valid', many individuals suffered from 'serious identity crisis' (Ekman and Linde 2005, p. 357).

Apart from cognitional dependency, two other factors weakened welfare reforms that were intended to rebalance state–individual accountability. First, when the market principle was introduced in social and economic matters, the ruling party in China did not relinquish the claim of communist ideology. Perry (2007; 2017) indicated that its resilience in power was endorsed by its skilled employment of the communist revolutionary legacy and of symbols from traditional culture. Slogans were presented, such as 'serve the people' and 'the party represents the benefit of the overwhelming majority of the people'. By combining the destiny of the party and the welfare of the people, these repeated and solemnly vowed ideological claims in fact aided the formation of the 'common interest' of society and became an important element of the 'inertial thinking' of the public when it had to face external changes. In other words, people in former socialist states are more likely to treat the government as the bearer of ultimate liability for all social and economic problems. But, at

the same time, they are more likely to accept social or policy changes ‘for the sake of the common interest’.

Second, the shadow of other previous public policies also shaped the expectations of the people. For instance, the demographic ‘one-child’ policy posed a specific quandary for the care of older people in China because its demand for the obligatory compliance of the people in reducing the number of their descendants went against perceptions of children as being the main form of old-age support in the traditional context of filial piety. So, to gain leverage and make a morally and politically fair request, the government had to take charge of elderly welfare there. Despite this fairness rhetoric, urban residents suffered more than those in rural areas, because the one-child policy was strictly enforced in urban areas.

To sum up, China’s welfare reforms during the ‘socialisation process’ in the 1990s and 2000s may have induced a failure of consensus between the state’s conduct and individual perceptions regarding the role of government in welfare provision. The difference may also have endangered state legitimacy by the public’s sense of betrayal. To avoid a legitimacy crisis caused by the above consensus gap, the Chinese government needed to seriously consider the public’s expectations and anticipate their feedback in its policymaking process, especially during dramatic transitions in the social welfare provision. A parallel statecraft of social policy experimentation and official propaganda was created to address the consensus gap and resolve the dilemma of combining privatised social risks and shared responsibility during the pension reform process.

In China, policy experimentation is a core tool of an incremental policy process, a matter of ‘crossing the river by feeling the stones’. Such experimentation is very important for maintaining state legitimacy while avoiding radical policy changes at the national level. In a huge state like China, a process of conducting moderate and manageable policy changes allows enough space for the central government to learn from ‘trial and error’ (Heilmann 2008b). Policymakers of the central government could determine the types of experimentation to undertake, look at the results, and decide what aspects of successfully implemented experimentation could be adopted at the national level (Heilmann 2008a; Mei and Liu 2014; Zhu and Zhao 2018a). Provinces, cities, or regions could participate in the selection of pilot sites. Within the process of pilot policymaking, local governments could benefit from conditional and limited autonomy if the central policies permitted. Apart from the unified policy guidelines proposed by the central government, local authorities could localise and reinterpret the policy details on the basis of their specific local conditions (H. Huang 2013). In such a structure, local governments could also employ strategies, such as the construction of rhetoric, enhancing certain policy elements to popularise the policies when they sense potential obstruction from the public.

I propose that policy experimentations in the field of social welfare were used as a tactic for *dialogue* with the general public to demonstrate the legitimacy of a reform. The idea of experimentation as a dialogue tactic differs from the

conventional understanding of policy experimentation in the theoretical spectrum. The traditional wisdom on policy experimentation has mainly focused on policymakers at the central and local levels, but has paid little attention to the recipients of social policies – the public. Conventional theories either highlight the autonomy of local authorities, arguing that decentralised federations contribute to economic leapfrogging (Montinola, Qian, and Weingast 1995; Weingast 1995) or accentuate the full control of the central government, whose experimentation serves to demonstrate that policies are workable (Heilmann 2008b), identify errors (Zhu and Zhao 2018a), or delimit competition (Cai and Treisman 2006). I emphasise that the government can integrate the public's expectation into the policymaking process around policy experimentation and employ a feed-forward effect (Schneider and Sidney 2009) to minimise any undesired impacts on society. If the central government pushes for an across-country reform that contradicts its omnipotent stature (which is generally interpreted by the public as being a 'caring and accountable' government), then the difficulties for the public of identifying and accepting the new situation can be considered risky, given the cognitional dependency discussed above. By distributing policy changes in selected regions through policy experimentation, the government can measure and test the potential feedback and the limits of the public in turn, and contain the public's expectations about the general process of policymaking. Moreover, policy experimentation provides effective channels for the government to further influence public opinion by engaging individuals in dialogue.

The central government can wield power via several mechanisms. First, the experimentation depends upon the fiscal division between China's central and local governments, where the central tier controls the fiscal resources and allocates transfer payments to local governments, and the local governments are motivated to accomplish or improve pilot programmes so as to gain financial resources and cope with welfare expenditure (Zhu and Zhao 2018b). This interactive loop helps the central government find the most appropriate policy instrument to develop as the much broader version of the experimental reforms. Moreover, the central government can establish its legitimacy by modestly implementing the reform process (Zhu and Zhao 2018b). Second, the general public may change its perceptions, mainly through an experiential process, in the context of external experimental interventions. Gradual reforms based on policy experimentation instil in the public the belief that a new policy may be cancelled if it does not work. In the regions chosen to pilot the new welfare policy, the public may have derived benefits and observed deficiencies – but with less anxiety. Therefore, the central government can promote new policies without the need to obtain large-scale prior approval from the general public as a whole; rather, it can persuade people by informing them of the pros and cons of the policies as the experimentation proceeds. An incremental pilot scheme facilitates the building of public attitudes, in which the most preferred outcome corresponds to the policy design, especially when a



controversial policy is involved. During the buffer period of policy experimentation, the public may either accept the permanence of the controversial policy or signal their discontent in ways that are not too radical for the government. So, experimentation can be a useful tool in letting the central government initiate dialogues with the public.

It should be noted here that the risks of policy failure and legitimacy crisis in the piloting of welfare reforms are unevenly distributed between the central and the local governments. In China, local governments are more likely than the central government to be blamed by the public for deficiencies in social policies, whereas the central government can claim credit and obtain rewards from warmly accepted policies more easily than the local governments can (Shi 2014). Central government generally possesses a higher degree of political trust than local governments do, which is referred to as ‘hierarchical political trust’ (Lü 2014; Shi 2014). This is partly because local governments are the ones that implement the rules and provide the services and their proximity leads the public to focus on their deficiencies and misbehaviours. Cultural factors also matter because Chinese people tend to look up to a ‘just and upright lord’ and believe that most of the local problems are the results of distortion by local officials. Additionally, social instability caused by public discontent may threaten the political career of local officials. As a precaution, local governments may either actively initiate localised innovations when the experimentation scheme allows it, or promote central government-instructed policies with carefully designed messages (Zhu and Zhao 2018b).

In the design process for public policy, official discourse is commonly recognised as effective statecraft, helping any government to convince their subordinates regarding new policies and eliminate the possibility of a legitimacy crisis (Beetham 1991). For instance, in liberal democracies’ electoral politics the core principle of making politics work is to mobilise the ‘majority’ of the population. Schneider and Ingram used the theory of ‘social construction of target groups’ to describe the process in developed countries whereby the election elites use certain portrayals to maximise voters’ support and minimise electoral costs by identifying the target population of the policy whom they want to promote (Boushey 2016; Schneider and Ingram 1993; Schneider, Ingram, and DeLeon 2014). Political elites in competing parties sacrifice the interests of a smaller group of people while promoting a reallocation of welfare resources through the rhetorical construction of certain weak and marginalised target populations – those who lack effective political power to engage and change the policy process. This can be effective, so long as the policy is constructed to be legitimate for the majority (Goode and Ben-Yehuda 1994; Schneider and Ingram 1993). These constructions are formed from social values, emotions, or stereotypes of the target population. As an example, when policymakers intend to impose a new welfare burden or retrench welfare benefits for a certain group of people, the target population may be constructed as ‘undeserving’ and ‘selfish’ – and hence eligible to be denied certain social assistance (Hynes and Hayes 2011;



Maynard-Moody, Musheno, and Musheno 2003). By such devices, an elected government can legitimise its proposed policy and alter the expectations, perceptions, and even behaviours of the citizens (Donovan 2001; Lawrence, Stoker, and Wolman 2013; Schneider and Sidney 2009).

In developing and non-democratic regimes, institutional differences mean that the logic of social construction in public and social policy changes. In these regimes, the government is perceived to be likely to directly issue a policy with or without majority consent, and to have less motivation to construct portrayals that would do enough to meet the citizens' expectations. However, in practice, we still find numerous cases where policy promotion delivers rhetorical messages not directly related to the policy itself, or contains specific information that is highly sensitive and salient to certain social groups. In this chapter, I find a strategy that is similar to the situation in democracies' electoral politics, but is more specific and tailored to the constraints in developing countries without mature democratic elections, and where policies targeting a certain population do not need voting approval from the whole population. The pressure on policymakers mainly comes from possible discontent among the targeted population that lose out, because any instability caused by their collective resistance can lead to a legitimacy crisis for non-democratic authorities (Lipset 1959). Thus, welfare retrenchment that is designed to reallocate the responsibility between the state, the market, and the target population requires the policymakers to try hard to ensure that the image and the actual working logic of a policy are congruent. In this case, policymakers can strategically construct the policy content to gain the acceptance of the target population and avoid the risk of legitimacy crisis from the incongruence of the welfare policies. The ideal achievement of such constructional efforts by government might be a cognitive change in the target population to adapt to the design of the policy, together with greater general trust from the entire population, if possible.

In practice, for the authorities to attain the goal of social construction – persuading the public of the advantages of policies and the credibility of governments – they must use the acknowledged tool of propaganda through the public media (Easton 1975; Shirk 2011). The incumbent authority can effectively defend or promote its policies and guide or mobilise public opinion by using its own media (Di Tella, Galiani, and Schargrotsky 2012; Keefer and Khemani 2011). Many specific components of constructive propaganda are used by governments to help promote policy changes. For instance, propaganda can be designed to magnify the necessity and urgency of policy changes, particularly by connecting them to short-term social problems (Cox 2001). Propaganda can also emphasise the part of the message in which a government's duty and credibility are enhanced, while neglecting other parts where the government has begun to withdraw from its former role. Some propaganda models glorify and exaggerate to the public the benefits of new policies, especially to the target groups of certain policies (Schneider and Ingram 2019). Regarding the efficiency of official propaganda, Huang's paper (2015; see also 2018), on

a government's indirect provision of information, identified 'subtle and sleek propaganda' as something likely to have a highly persuasive effect, whereas 'hard propaganda' may backfire and alienate citizens from the policy.

In the case of China's social welfare areas, where an extensive socialist legacy persists amid the transition in socio-economic conditions, efforts by local governments to promote welfare reform require careful social construction tailored to the target population of the reform. In the case of a pension pilot for enterprise employees led by the central government, I observe that the local governments' promotion of the reform described the piloted policy as something closely associated with the generosity of the state. It may be asked why, if the government as a whole intended to share responsibility for pensions with individuals (society) and enterprises in its broader reform, its propaganda did not use relevant discourses, such as connecting the pilot reform directly with individual responsibility. One reason why official propaganda about the pilot reform still connected the policy with the state's generosity is partly because of the citizens' dependence on the socialist media pattern of official discourse. As in other communist counterparts, in the pre-reform period China's official propaganda was famed for its 'formalistic, ritualistic and ideological' content (H. Huang 2015). The state-owned media usually exaggerated the omnipotent role of the state, avoided negative messages/information, and signalled the capacity of state power (see, for example, McQuail 1987; Siebert, Peterson, and Schramm 1956). The authority in non-democratic regimes also tends to take a 'paternalist role' in public welfare provision (Beck 1997; Leung and Nann 1995). Thus, the state is unlikely to change its habits completely in its official discourse. Another, more important reason in this case is that the local governments were also trying to avoid the risks that the reform might bring. The promotional content of the propaganda emphasised the role of the government in appeasing public anxiety, especially since the social welfare reform involved incremental changes to a more individually based type of responsibility. I further analyse local government's motivation to use selective discourse in the following section.

The reform of China's urban pension insurance in the 2000s is an especially apt case to demonstrate the strategy of combining social policy experimentation with official propaganda. The central government led the promotion of a new pension scheme for a certain population in some selected provinces over three main waves, which was ideal for investigating the exposure effects of the policy treatment on the public. This reform was also an important segment of the overall reconstruction of welfare responsibility, moving away from the state socialist welfare model and towards 'socializing the social welfare' (Ringen and Ngok 2017; Shi and Mok 2012). And to study propaganda in this chapter I focus on local official discourses published by local provincial party committees, rather than that of the central government such as the *People's Daily* (analysed in Chapter 3). On the one hand, local official propaganda followed the basic tone of central government in promoting certain policies. Yet, on the

other hand, local governments could vary their propaganda efforts (in volume, coverage, emphasis, and so on) according to their understanding of the reform's direction, policy details, and local conditions. Especially with regard to policy experimentation, local governments were allowed to make localised changes under the general direction of central government. Therefore, local governments' varied efforts in promoting the government's image and the policy reform provide a good case model for analysing the effects of constructive propaganda.

Before the economic reform in 1978, the 'creation of a socialist egalitarian society [promised] a relatively stable livelihood at the expense of economic development' (Leung and Xu 2015, p. 33). In urban areas this meant that work units acted as administrative social integration sections, as well as public goods providers (Lu and Perry 1997). Urban work units provided not only jobs for life but also pensions, housing, education, and health care to employees and their dependants. More than 80% of the urban labour force was covered by the *danwei* system (Leung and Wong 1999). The state's patriarchal role was a collective welfare mechanism that collectively secured citizens' social rights at the stage of state socialism (Xie 2016).

As economic reforms gathered pace and the state promoted social reforms that helped to cut its welfare burden and boost efficiency, there were massive implications for lifetime employment, pensions, health, and the housing system in urban areas (Li and Zhong 2009; Wong and Ngok 2006). Large numbers of employees in state-owned enterprises were laid off in the process of liberalisation and marketisation. Furthermore, the newly established basic health insurance scheme also required contributions from individuals and employers. The functioning of hospitals started to employ market-competition principles. The total welfare contribution from individual workers accounted for quite a large proportion of their salaries (Ringen and Ngok 2017). Certain areas of welfare provision would be transferred to local government, to society, or even back to the family.

China's pension plan for urban enterprise employees changed dramatically after the retraction of the 'iron rice bowl' and the reformation of SOEs in the 1980s. Beginning from the 1990s, what used to be a pay-as-you-go system of pension insurance gradually changed to a mixed two-tier system comprising social and individual accounts. The reformation officially started in 1997 when the State Council issued Document no. 26, entitled *Decision on Establishing a Unified System of Basic Pension Insurance for Enterprise Employees* (State Council 1997). According to this, the responsibility for raising funds for the new pension system should be shared by enterprises, employees and the government (Gao 2006), although the action was not de facto compulsory. The document proposed that each individual account be maintained at 11% of an employee's salary, to which individuals needed to contribute up to 8% of their salary (i.e. starting at 4%). To this, employers were expected to cover the shortfall in individuals' accounts (i.e. the remaining 3% of an individual's salary)

while separately contributing at most 17% of the payment (i.e. the enterprise's total contribution should not exceed 20% of an individual's total wages) for the social account.

However, individual accounts were often 'empty' owing to insufficient fund allocation and the diversion of funds to the social accounts, which were originally designed to cover the needs of retirees. This situation also caused a 'common pool' problem, in which current pension contributors always expected the social account to cover everyone's pensions, although their individual accounts might have been used up. To further clarify the division between the pooling of individual and social accounts, and to cover the deficit in individual accounts, the central government issued Document no. 42 in December 2000 to promote a new reform, *Fully Funding the Individual Accounts* (State Council 2000). This pilot policy reform was first implemented in Liaoning Province in 2001, and it specified that all contributions to individual accounts must be handled solely by employees and the 8% rate must be set from the contributory wage. In 2003, the pilot policy was extended to Heilongjiang Province and Jilin Province. These two provinces adopted similar policy schemes that differed only slightly in terms of the regulations regarding the contribution rate. The three provinces in north-eastern China comprised the first wave of pension insurance reform for urban enterprise employees. In 2005, the central government issued *Decision on Improving the Basic Pension System for Enterprise Employees* (State Council 2005) and added eight more provinces that would form the second wave of pilots: Tianjin, Shanxi, Shanghai, Shandong, Henan, Hubei, Hunan, and Xinjiang, beginning in January 2006. Jiangsu and Zhejiang Province joined as the third wave in 2008. Thus, overall 13 provinces took part in the reform's pilot scheme. Later on, the 10-year pilot scheme gradually faded away as the 2010s began, the main reason being cited as the unsolved problem of 'empty individual accounts' (Zheng 2016).

Social welfare provision was generally considered a local affair under the pre-reform arrangements, financed by local tax receipts. In general, provincial governments could retain up to 84.5% of their fiscal revenue and most of the funds were diverted to reinvestment and development instead of the provision of social welfare for local residents. Following the 1994 fiscal reform, the central-local relationship was redefined as a tax share between the two tiers because the balance leaned towards the central government. Under the new system, the central government took 75% of the value-added tax, one of the most important fiscal resources for government revenue. However, the expenditure on social welfare remained a local matter, especially at the prefectural and county levels, where fiscal revenue had already gone through the process of recentralisation (Y. Fan 2015). The situation was worse if we consider that the social welfare index was not even included in the promotion criteria for local authorities until the late 2010s. In other words, local governments were expected to provide social welfare but did not have enough capacity or motivation to provide it. Nevertheless, they were more likely to be held responsible by the public and

blamed for a policy that was unwelcome. Therefore, local governments were motivated to take precautions against the possible negative effects of implementing policies when the central government attempted to promote a hybrid type of welfare reform.

In local official newspapers, we find that articles reporting the pilot policy were associated with the omnipotent role of the state. The articles were full of the following messages: the government's generosity, efficiency, and conscientiousness ensured social justice; the framing of 'good government', and the government's taking 'people's livelihood into account' – all these messages are consistent with the socialist rhetoric. For example, one of the local official newspapers described the pilot policy as follows:

This policy aims to support the basic pension and social old-age insurance systems by reforming the methods of calculating the basic pension and allowance. We are ensuring the punctual granting of pensions for retired enterprise employees whilst expanding the coverage of the old-age insurance system for everyone included in the scheme. This requires the government to renew its efforts to collect insurance funding and tighten the supervision and management of it. Moreover, we should also improve and integrate a pluralistic approach of fundraising in order to fully fund individual accounts. (*Shanxi Daily*, 2006. Originally in Chinese; my translation.)

Another widely employed approach in local official newspapers was to magnify the necessity and urgency of the reform by connecting it to general social benefits, where it is consistent with the central government's repertoire of knowledge construction methods covered in Chapter 3. For instance, one report addressing the 2005 State Council no. 38 decision argued:

This decision (*Decision on Perfecting Basic System of Pension Insurance for Enterprise Employees*) is a significant one made by the central authority on the basis of the overall socio-economic development of our country. The decision is vital for the healthy and sustainable development of the economy as well as for the long-term safety of our nation. It is also essential for protecting the well-being of our prefecture's citizens (*Tianjin Daily*, 2006)

#### 4.2 Policy effects on how the public sees the locus of responsibility for pension contributions

To examine the causal relationship between the trajectory of welfare reform from state socialism for shared responsibility and changes in individuals' perceptions, I propose a set of hypotheses made testable by the quasi-natural

experiment created by the pilot scheme for pensions for enterprise employees in the 2000s. The main research interest is the effectiveness of statecraft regarding changes in individuals' attitudes to the locus of responsibility (LoR) of certain welfare provisions, and regarding the trust given to political institutions across regions and periods. Individual perceptions of welfare responsibility are sensitive to changes in social policies (Im and Meng 2015; Lü 2014) and are of great importance in understanding political support in general. As a market-oriented policy that resonated with the privatisation of the SOEs in the late 1990s, the pension insurance reform had as one of its goals the sharing with individuals, the market, and society of the responsibility for social pension insurance contributions. For the central government, the ideal micro-level outcome of the reform would be that the target population should recognise their responsibility as individuals for pension contributions, thereby achieving a sustainable system of pension contributions for future retirees. Accordingly:

Hypothesis 1: The implemented pilot experimentation of the basic pension insurance reform increased the popular acceptance of individual responsibility for elderly care. The longer the public experiences the pilot experimentation, the more intensely they become affected by and adapted to the reform.

The new emphasis on incorporating individual responsibility in welfare provision differed from the egalitarian–socialist period practice stressing the duty of the state to provide elderly care in the form of either pensions or social insurance. So, local governments were strongly motivated to take precautions to offset the potential negative effects of the policies – the anxiety of the public (especially the target population) over losing the state's support/benefit. Meanwhile, the local governments did not want to be blamed for the reform, as they would have been if the public distributed blame/trust in its usual hierarchical fashion, given the special central–local relationship in China. A countervailing stratagem against this risk was for the local governments to use official propaganda to send messages in the course of the basic pension insurance reform emphasising the omnipotent role of the state. I found qualitative evidence of the propaganda efforts of local official newspapers focusing on the public's faith in the government's devotion to duty and responsibility. Drawing on these arguments, I test the following hypothesis:

Hypothesis 2: Policy propaganda emphasising the omnipotent role of the government offset the pilot policy's effect on public perception and shifted the people's perception to governmental responsibility.

I recognise the short-term effectiveness of official propaganda in maintaining the public's faith. However, in the long term, individuals will be likely to distinguish the real target of the policy and even to resist its implementation (Chen

and Shi 2001; H. Huang 2018; Kennedy 2009). In the case of the pension insurance policy reform, although its description in the official media highlighted the government's efforts to improve the public pension system, individuals reportedly had to increase their individual contributions to their pension, and once in retirement they encountered difficulties in claiming benefits. People who conscientiously planned their monthly income and expenditures were deeply influenced by the implications of governmental retrenchment as part of the policy design. Thus, in the event, the reform dramatically changed the individuals' disposition of their salary and their expectations of risks as they aged, social welfare and the state–individual relationship. This contradiction between policy propaganda and policy experimentation may over time undermine the public's confidence and trust on government institutions. Thus, I propose the following hypothesis regarding the concurrent effect of the propaganda and pilot policy on the public's political trust:

Hypothesis 3: In the short term, local official propaganda regarding the pilot policy increased the public's support for the regime. However, in the long term, local official propaganda regarding the pilot policy can reduce the public's support.

To measure the dependent variables (DVs) here I draw on two rounds of household surveys called 'Chinese Attitudes toward Inequality and Distributive Injustice', which were conducted by teams led by Marty Whyte and Mingming Shen in 2004 and 2009. The two surveys used randomised spatial sampling under the global positioning system (GPS sampling). The sample pool of the national adult population involved respondents aged 18–65. The total number of observations from the two surveys is over 6,100, as shown in Table 4.1. Since the three provinces in north-eastern China started the pilot policy before 2004, we dropped the samples of these three provinces from the dataset, thus constraining the analytical samples within the window of the two surveys (2004 and 2009). This modification left the analysis with 5,280 observations from 20 provinces.

The main independent variable in this study is the different waves of pilot policy. The full pilot policy started in 2001–3 and expanded in 2006 and 2008, respectively involving three, eight, and two pilot provinces. Figure 4.1 shows the provinces in the three waves. The construction of treatment variables is explained in the model identification section.

The two core questions in the survey that were used to construct the DVs for hypothesis testing are as follows:

(DV for Hypothesis 1): 'Between the government and the individuals, who should take greater responsibility for elderly pension provision?'

(DV for Hypothesis 2): 'Do you trust the central/provincial/local governments?' (asked as separate questions)'



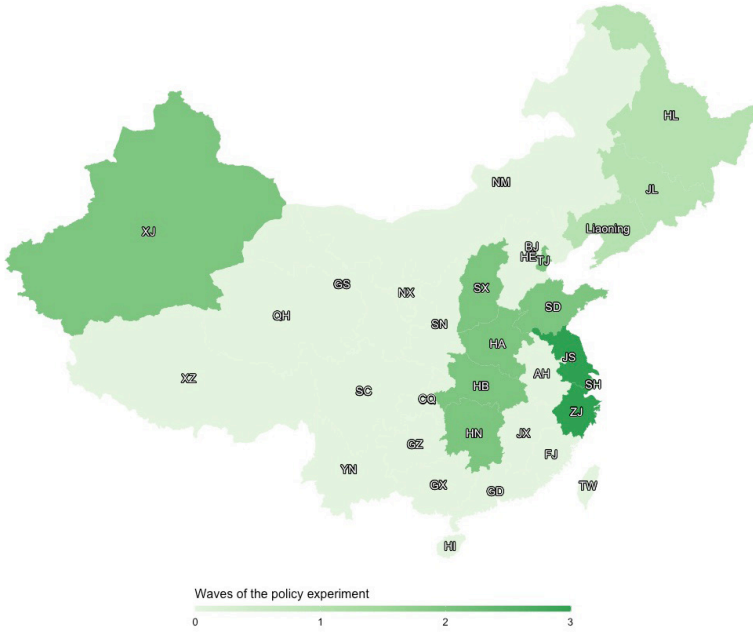
**Table 4.1: Descriptive data of two rounds social survey respondents**

Province	Survey year		Total samples	Pilot year	Pilot wave
	2004	2009			
Shandong	486	453	939	2006	2
Hubei	251	291	542	2006	2
Heilongjiang	239	212	451	2003	1
Guangxi	242	206	448	—	0
Liaoning	205	183	388	2001	1
Anhui	177	184	361	—	0
Guangdong	164	181	345	—	0
Shanghai	233	87	320	2006	2
Beijing	121	136	257	—	0
Henan	122	110	232	2006	2
Shanxi	112	104	216	2006	2
Xizang	94	108	202	—	0
Zhejiang	90	111	201	2008	3
Yunnan	137	63	200	—	0
Jiangsu	88	107	195	2008	3
Fujian	87	71	158	—	0
Shaanxi	67	73	140	—	0
Jiangxi	42	84	126	—	0
Hunan	54	68	122	2006	2
Hainan	58	54	112	—	0
Hebei	58	44	102	—	0
Ningxia	25	37	62	—	0
Samples (total)	3152	2967	6119		

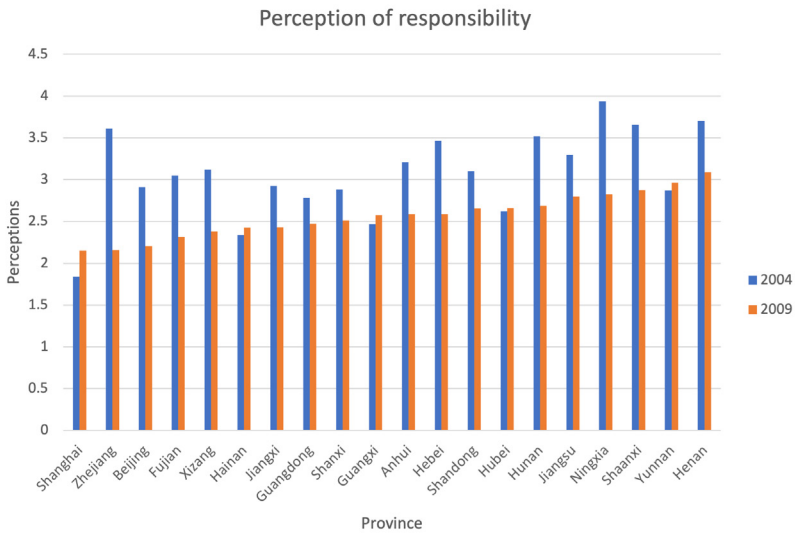
Notes: Martin Whyte served as the principal investigator for the project, which also involved Albert Park (Oxford University), Wang Feng (University of California-Irvine), Jieming Chen (Texas A&M University-Kingsville), Pierre Landry (Yale University), and Shen Mingming (Peking University), with Jie Yan, Tianguang Meng, and Chunping Han as research assistants. The initial project was held in 2004.

Figure 4.2 presents the provincial variation of the dependent variable – the locus of (welfare) responsibility from two rounds of survey data. In addition to the dependent variables, the two-round survey also provides demographic information about the respondents. These variables are then used as control variables in our models and comprise (among others): age, gender, educational

**Figure 4.1: Visualisation of three waves pilot policy**



**Figure 4.2: Provincial variations of the dependent variable: locus of responsibility perception**



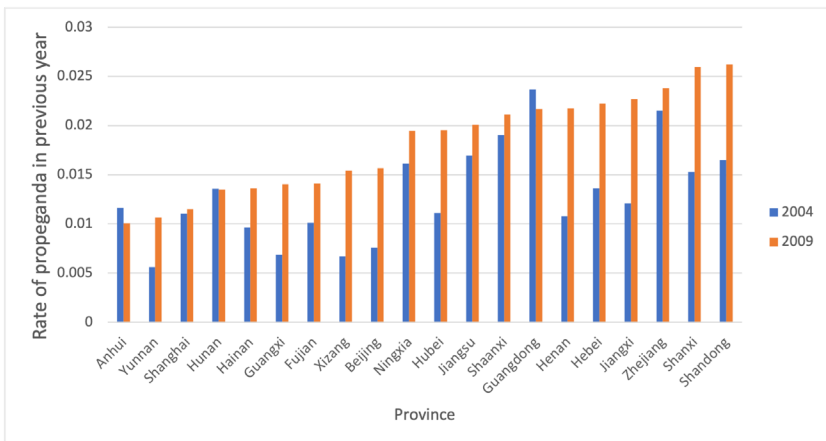
attainment, marital status, party membership, household income level, and residential registration (*hukou*) status.

To measure the independent variable of local official propaganda, I collected newspaper articles from the ‘China Knowledge Resource Integrated Database’,<sup>1</sup> which covered data beginning in 2000. The official newspapers published by the local provincial party committees were selected, because these were the provincial party newspapers that generally highlighted propaganda information from the provincial government. Moreover, the propaganda rhetoric of provincial party newspapers can help to construct public opinion in the provinces. Officials’ attitudes to the current welfare policy that are revealed in provincial newspapers can be spread and appear in other media platforms across a province. So people who do not read or subscribe to official provincial newspapers are also informed about such attitudes.

The collection of data involves keyword searching and manual selection. To capture the intensity of propaganda regarding the pension insurance reform, I collected articles containing the exact name of the pilot policy (e.g. ‘fully funding the individual accounts’) to construct the variable ‘policy propaganda’, and I used the ratio of the variables rather than absolute numbers. Figure 4.3 presents the provincial variation of local official propaganda efforts (as the article rate) on the pilot policy. Moreover, I calculated the accumulated ratio in three or five years ( $Ratio = \frac{\sum(Article\ of\ Pilot\ Policy)_t}{\sum(Total\ News\ Articles)_t}$ , where  $t$  equals three or five years before the two survey years of 2004 and 2009, respectively) to capture the long-term effects of the propaganda.

To compare the provincial-level covariates between the treatment provinces and the rest of the country, for the period covering 2000 to 2010 I collected from the National Bureau of Statistics<sup>2</sup> provincial-level statistical data on social and economic variables – which can influence the possibility that certain provinces will be selected as pilot provinces and the public’s perception of pension insur-

**Figure 4.3: Provincial variation of local official ‘policy propaganda’ efforts**



ance. The selected social and economic variables included regional economic performance, demographic characteristics, fiscal revenue and expenditure distribution, the implementation and participation rate of pension insurance, and so on. The nature of the two rounds of survey data permits us to adopt the difference-in-differences (DID) model for estimating the average policy effect on individuals through counterfactual inference. The detailed justification of the counterfactual DID design is presented in Appendix A, Section A4, including parallel trends and individual and regional balance.

In the DID model, I define the treatment group as all the samples from the provinces that participated in the pilot policy, with other provinces used as the control group. The baseline model is to estimate the difference between the treatment area and the control area before and after the policy experimentation.

$$LR_{it} = \alpha + \beta_1 Pilot_i + \beta_2 Post_t + \beta_3 Pilot_i Post_t + \beta_4 X_{it} + P_i + \varepsilon_{it} \quad (1)$$

where  $LR_{it}$  denotes the individuals' attitudes regarding the LoR of pension insurance;

$Post_t$  is a dummy variable that equals 1 for year 2009 and 0 for year 2004;

$Pilot_i$  is the treatment variable that equals 1 for samples in the piloted provinces and 0 otherwise;

the  $\beta_3$  of the interaction term between  $Pilot_i$  and  $Post_t$  is the average treatment effect on individuals;

$X_{it}$  is an array of control variables that is employed to capture minor imbalances in demographic factors that can interfere with the outcome of interest; and

$P_i$  is a dummy variable for the provinces.

Given that the pilot sites were selected at the provincial level, I included a dummy variable  $P_i$  for provinces to ensure that the selections did not lead to an overestimation of the treatment effects. By taking advantage of the condition that the policy was targeted at urban enterprise employees, I further analysed the occupational and residential differences by using different subsamples.

In addition to the dualistic treatment-or-control variable, I also coded a continuous variable denoted by *Duration* to capture the gradual feature of the policy implementation by substituting the variable *Pilot*. This variable on *Duration* corresponds to the length of time that each treatment province had experienced the new pension arrangements by 2009, the time that the post-treatment survey was conducted: so its value was set at 0, 1, or 3. *Duration* also captures the slight policy differences between two different waves.<sup>3</sup> The model including '*Duration*' as the explanatory variable is similar to Model (1).

$$LR_{it} = \alpha + \beta_1 Duration_i + \beta_2 Post_t + \beta_3 Duration_i Post_t + \beta_4 X_{it} + P_i + \varepsilon_{it} \quad (2)$$

where  $Duration_i$  is the length of time for which each sample experienced the pilot policy.

In investigating the mixed effect of the pilot policy and the local official propaganda, I further constructed the difference-in-difference-in-differences (DDD, or triple difference) model as follows:

$$\begin{aligned}
 LR_{ijt} = & \alpha + \beta_1 Pilot_t + \beta_2 Post_t + \beta_3 Propaganda_j + \beta_4 Pilot_t Post_t \\
 & + \beta_5 Pilot_t Propaganda_j + \beta_6 Post_t Propaganda_j \\
 & + \beta_7 Pilot_t Post_t Propaganda_j + \beta_8 X_{ijt} + P_i + \varepsilon_{ijt}
 \end{aligned} \quad (3)$$

where ‘*propaganda<sub>j</sub>*’ represents the individuals’ direct exposure to the pilot policy. The coefficient  $\beta_7$  of the interaction of *pilot effect* (*Pilot* × *Post*) and *propaganda* thus caught the concurrent effect on the outcome variable. I contained the same control variables of  $X_{ijt}$  and province dummy  $P_i$

To test the short-term and long-term effects of the local policy propaganda on the public’s political trust, I employed the question in the 2009 survey measuring the level of Chinese citizens’ trust in the central government, provincial government, and local government (county or district). (There were no questions related to political trust in the 2004 survey – so I can use only the 2009 survey for data on political trust.) Short-term and long-term propaganda were identified with the accumulated ratio of articles that contained the exact name of this pilot policy in the previous year, three years and five years. I constructed the following model by using the interaction between pilot policy and local propaganda to capture the marginal effect of official propaganda on the public’s political trust in the treatment provinces:

$$\begin{aligned}
 Trust_{ij} = & \alpha + \beta_1 Pilot_t + \beta_2 Propaganda_j \\
 & + \beta_3 Pilot_t Propaganda_j + \beta_4 X_{ij} + P_i + \varepsilon_{ij}
 \end{aligned} \quad (4)$$

where the marginal effect of local official propaganda on political trust was calculated as

$$\frac{\partial(Trust_{ij})}{\partial(Propaganda_j)} = \beta_2 + \beta_3 Pilot_t \quad (5)$$

Thus, the coefficient  $\beta_2 + \beta_3 \times 1$  indicates the estimated marginal propaganda effect on the public’s political trust in the pilot provinces. Here, the dichotomous variable *Pilot<sub>t</sub>* can be replaced as the continuous variable *Duration<sub>t</sub>* (to be discussed in the empirical section), which then turns the measurement into the marginal effect of propaganda on political trust for one additional year. Using *Duration<sub>t</sub>* helps us identify the long-term and short-term effects of propaganda in spite of the stepwise pilot policy.

I present the DID regression results of the public’s attitude to the LoR on pensions by using *Pilot*, *Post* and the interaction between *Post* and *Pilot* (pilot effect), along with other control variables, in Table 4.2. Clustered standard errors at the provincial level are reported in parentheses. The coefficient of the

**Table 4.2: Where people see the locus of government responsibility for pensions by policy effects**

Variables	Treatment vs control			Policy duration		
Pilot effect (DID)	0.126** (0.060)	0.123* (0.068)	0.091 (0.068)			
Duration effect (DID)				0.085*** (0.020)	0.083*** (0.023)	0.073*** (0.023)
Demographic controls	No	Yes	Yes	No	Yes	Yes
Provincial dummies	No	No	Yes	No	No	Yes
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes
Observations	4,921	3,790	3,790	4,921	3,790	3,790
R-squared	0.025	0.069	0.148	0.027	0.071	0.150

Note: \* $p < 0.1$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$ . The table presents ordinary least square (OLS) results. Clustered standard errors at the provincial level are reported in parentheses. The estimates of treat, post, duration, demographic controls – which include age, age squared, gender, educational attainment, marital status, party membership, household income level, and *hukou* status – are not reported. The estimates of constants, provincial dummies, and year dummies are not reported either.

pilot effect ( $Post \times Pilot$ ) shows a significant positive effect (0.126), which indicates that the policy in the treatment provinces after the pilot increased the public acknowledgement of individual responsibility on pension insurance. After controlling for province, year and individual demographic variables, the effect remains positive (0.091) but insignificant. This mixed effect is partly addressed in the following section by discussing the propaganda effect.

The interaction between *Duration* and *Post* (duration effect) has a significant and positive effect (0.073) on people's LoR attitude after controlling for the demographic factors, provinces and year dummies. This result indicates that the people in the provinces who experienced longer pilot policy experimentation had higher levels of acceptance of individual responsibility on pension insurance. Thus, our Hypothesis 1 is supported.

As shown in Table 4.3, after controlling for the demographic features and province dummies, policy propaganda was shown to have a contrary effect on the public's LoR conditioning in pilot situations. In other words, people affected by the pilot policy were likely to have a higher impression of governmental responsibility when exposed to stronger local official propaganda. The result from the decomposed subsample indicated that the 'pulling back' function of the policy propaganda was significant for the target populations of

**Table 4.3: Effect of pilot policy and policy propaganda on the locus of government responsibility**

Variables	All samples	Urban samples	Rural samples	Enterprise employees (target population)	Public sector employees (urban)
Pilot effect (DID)	0.500*** (0.117)	0.557*** (0.168)	0.379** (0.176)	0.523 (0.339)	2.245*** (0.722)
Pilot effect × Policy propaganda (DDD)	-0.105*** (0.029)	-0.184*** (0.041)	0.018 (0.043)	-0.161** (0.080)	-0.552*** (0.197)
Policy propaganda	0.017*** (0.006)	0.045*** (0.008)	-0.021** (0.009)	0.038*** (0.012)	0.029 (0.024)
Policy propaganda × Pilot	-0.026* (0.014)	-0.066*** (0.018)	0.012 (0.021)	-0.082 (0.052)	0.142 (0.140)
Policy propaganda × Post	0.079*** (0.025)	0.139*** (0.036)	-0.009 (0.035)	0.123** (0.061)	0.261** (0.120)
Observations	3,790	1,947	1,846	729	207
R-squared	0.156	0.164	0.149	0.191	0.260

Note: \* $p < 0.1$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$ . All models include demographic controls and province and year dummies.

the reforms, namely, the enterprise employees (-0.161) and the public sector employees (-0.552) in urban areas. Meanwhile, rural residents who had largely been alienated from the policy were weakly influenced by the propaganda, as shown by the slight increase in their confidence (0.018) on the omnipotent role of the government. Hypothesis 2 is thus supported. Along with the pilot policy, local governments' official propaganda in defending the governmental image in welfare provision (as well as the justification of joint responsibility to a certain extent) attenuated people's faith – especially that of the target population of enterprise employees – in the 'glorious government'. In other words, official propaganda acted as a moderator for the treatment effect of the pilot scheme and kept the government from 'losing face' (faith).

### 4.3 The concurrent effects of experiments and media campaigns on political trust

Despite the image construction of a 'caring and accountable' government that may have effectively swayed public opinion in the short term, the case presented here shows that the divergence between the propaganda images and the benefits derived by individuals from the pilot policy would probably result in political



distrust in the long term. The results of the marginal effect of propaganda on the public's political trust in the pilot provinces are shown in Table 4.4. The coefficient of the interaction between treatment and policy propaganda indicates that local official propaganda in pilot areas significantly increased the public's trust in local governments by 0.286 ( $=0.497-0.211$ ) and in provincial governments by 0.132 ( $=0.298-0.166$ ) in the short term (one year), calculated using Equation (5). The effect on the public's trust in the central government (0.012) is not as significant as the effects on trust in the local and provincial governments. Meanwhile, in the long term (three years), official propaganda significantly but negatively affected the public's trust in the local and provincial governments ( $-0.279$  and  $-0.129$ , respectively). The effect on the public's trust in the central government ( $-0.012$ ) was not significant. The coefficients of accumulated policy propaganda for five years indicate a similar pattern: policy propaganda affected the public's trust in local and provincial governments ( $-0.131$  and  $-0.060$ , respectively) in a significant and negative way, while the effect on trust in the central government was very weak ( $-0.006$ ). The effect on the central government was clearly not statistically evident, which is reasonable, considering that the statistically measured propaganda and the above discussion on pilot policy took place only at the provincial level. So Hypothesis 3 was also supported.

In this result, I also distinguished a possible confounding variable to capture the self-interest factor under the policy effect: the number of older family members who needed to be taken care of (as shown in Table 4.4). The coefficients of this variable in the various models suggest that the direct self-interest factor has limited influence on the public's political trust.

A logical concern over the difference between the short-term and long-term effects of propaganda on political trust may arise if we consider the different waves of policy implementation in the treatment provinces. Therefore, I added another test to show how the effects of propaganda varied in the different waves, shown in Table 4.5. Here I replaced *Pilot* with *Duration* in Equation (4). The marginal effect of propaganda on the individuals exposed to the pilot policy for different years is calculated with  $\beta_2 + \beta_3 \text{Duration}_i$ . The results, which are consistent with those in Table 4.4, further validate our hypothesis on the effect of incremental experimentation.

For individuals in the treatment provinces that started their pilot policy in 2008, the duration of experience of the reform is one year. Therefore, the estimation of the effect of the one-year propaganda on the public's trust in the 2008 wave of pilot provinces is  $-0.045$  ( $=-0.211+0.166 \times 1$ ). Individuals in these provinces in the 2006 wave of policy experimentation with a three-year pilot exposure show significant and positive change in their trust on the local government by 0.287 ( $=-0.211+0.166 \times 3$ ), different from the weak negative effect on the ones under the intensity of one-year official propaganda. For provincial governments, the pattern is similar: short-term official propaganda shows

Table 4.4: Effect of pilot policy and policy propaganda on political trust (2009 data)

Variables	Political trust in different levels of government								
	Model 1			Model 2			Model 3		
	Local gov	Province gov	Central gov	Local gov	Province gov	Central gov	Local gov	Prov-ince gov	Central gov
Pilot	-0.956*** (0.222)	-0.620*** (0.185)	-0.309** (0.124)	0.721 (0.627)	0.125 (0.514)	-0.269 (0.409)	-0.037 (0.482)	-0.308 (0.401)	-0.397 (0.299)
Policy propaganda (1 yr)	-0.211** (0.088)	-0.166** (0.075)	-0.088* (0.053)						
Pilot × Policy propaganda (1 yr)	0.497*** (0.150)	0.298** (0.124)	0.101 (0.096)						
Policy propaganda (3 yrs)				-0.053** (0.022)	-0.042** (0.019)	-0.022* (0.013)			
Pilot × Policy propaganda (3 yrs)				-0.226* (0.119)	-0.087 (0.096)	0.010 (0.077)			
Policy propaganda (5 yrs)							-0.069** (0.029)	-0.054** (0.024)	-0.029* (0.017)



Table 4.5: Effect of policy duration and policy propaganda on political trust (2009 data)

Variables	Political trust in different levels of government								
	Model 1			Model 2			Model 3		
	Local gov	Province gov	Central gov	Local gov	Province gov	Central gov	Local gov	Province gov	Central gov
Pilot duration	-0.319*** (0.074)	-0.207*** (0.062)	-0.103** (0.041)	0.240 (0.209)	0.042 (0.171)	-0.090 (0.136)	-0.012 (0.161)	-0.103 (0.134)	-0.132 (0.100)
Policy propaganda (1 yr)	-0.211** (0.088)	-0.166** (0.075)	-0.088* (0.053)						
Duration × Policy propaganda (1 yr)	0.166*** (0.050)	0.099** (0.041)	0.034 (0.032)						
Policy propaganda (3 yrs)				-0.053** (0.022)	-0.042** (0.019)	-0.022* (0.013)			
Duration × Policy propaganda (3 yrs)				-0.075* (0.040)	-0.029 (0.032)	0.003 (0.026)			
Policy propaganda (5 yrs)							-0.069** (0.029)	-0.054** (0.024)	-0.029* (0.017)



a weak and negative effect ( $-0.067$ ) for individuals who resided in provinces with a short exposure to the policy, whereas the effect is positive ( $0.131$ ) for individuals who resided in provinces with a long exposure of the policy. If we accumulate the propaganda effect for the longer terms (i.e. three and five years), then the negative effect on local and provincial governments becomes extremely high as the exposure to the pilot policy lengthens. As shown in Table 4.4 and Table 4.5, which both use 2009 survey data, the long-term decline of the public's political trust is related to propaganda and of the disjunction of policy from propaganda, rather than the policy itself. Therefore, we can exclude the alternative explanation that the possibility of policy failure caused the long-term distrust we observed.

No matter whether it is called 'social construction', 'frames', or 'discourse', the idea of official propaganda does have a risk of failure. In many cases, unsuccessful alterations of either the image of the target population or the discourse of the policy agenda may lead to a failure to promote the policy. For the pension pilot for enterprise employees in the early 2000s, the key potential problem was the 'mismatch' between the promoted pilot policy content and the local government's official discourse. Such mismatching partially results from the discourse dependency of the communist state-owned media; it also comes from local governments' efforts to maintain the general face (faith) of the 'state' before its population. The 'mismatch' can be captured by the public in a longer period, such as three or five years, and it diminishes their political trust.

In addition to the main results, as robustness checks, I also exploited the design of the pilot policy to explore the marginal effect of propaganda on the policy's target population. I conducted regression modelling of the official propaganda on political trust with the urban samples, and the results are shown in Table 4.6, focusing on the targeted group for the policy reform, enterprise employees in the piloted provinces. Columns 1 to 3 show the short-term effect of the propaganda on urban residents and its marginal effect on enterprise employees, while columns 4 to 6 present the comparable effect of propaganda over the long term. The outcome for the policy's target population was in line with my Hypothesis 3, in which local official propaganda has incremental effects on political trust in the short term and has reductive effects on the public's confidence in the long term. In particular, short-term propaganda significantly increased the target population's trust in local (country/district) governments by  $0.365$  ( $=0.368-0.003$ ) and in provincial governments by  $0.267$  ( $=0.272-0.005$ ). (Since all of these are interactive terms, the real estimations are the combination of two coefficients relating to the specific variable: for instance, the  $0.365$  is calculated by adding up  $0.368$  and  $-0.003$ .) The effect on the target population's trust in the central government  $0.015$  ( $=0.017-0.002$ ) was positive but insignificant. Long-term propaganda, measured as either accumulated over three years or five years, led to a significant loss of public trust in local and provincial governments among the target population. In particular, the three to five years of official propaganda exposure diminished the trust of enterprise employees in the local government from  $-0.293$  ( $= -0.292-0.001$ ) to

**Table 4.6: Short-term and long-term propaganda effects on directly targeted group in piloted provinces (2009 urban data)**

Variables	Political trust in different levels of government								
	Model 1			Model 2			Model 3		
	Local gov	Province gov	Central gov	Local gov	Province gov	Central gov	Local gov	Province gov	Central gov
Enterprise employee	0.056 (0.097)	-0.008 (0.092)	-0.070 (0.095)	0.044 (0.121)	-0.092 (0.124)	-0.134 (0.130)	0.100 (0.142)	-0.076 (0.144)	-0.107 (0.151)
Policy propaganda (1 yr)	0.368*** (0.122)	0.272** (0.112)	0.017 (0.107)						
Enterprise employee × Policy propaganda (1 yr)	-0.003 (0.011)	-0.005 (0.011)	-0.002 (0.010)						
Policy propaganda (3 yrs)				-0.292*** (0.097)	-0.211** (0.088)	-0.009 (0.085)			
Enterprise employee × Policy propaganda (3 yrs)				-0.001 (0.010)	0.005 (0.010)	0.005 (0.010)			
Policy propaganda (5 yrs)							-0.556*** (0.185)	-0.403** (0.168)	-0.020 (0.161)
Enterprise employee × Policy propaganda (5 yrs)							-0.006 (0.011)	0.004 (0.012)	0.002 (0.012)
#Old age people in the family	0.068*** (0.022)	0.077*** (0.020)	0.037* (0.021)	0.068*** (0.022)	0.076*** (0.020)	0.037* (0.021)	0.069*** (0.022)	0.077*** (0.020)	0.037* (0.021)
Observations	729	711	733	729	711	733	729	711	733
R-squared	0.088	0.111	0.099	0.088	0.111	0.100	0.088	0.111	0.099

Note: \*p<0.1, \*\*p<0.05, \*\*\*p<0.01. All models include demographic controls and province dummies.



-0.562 (= -0.556 - 0.006) and the provincial government (from 0.206 to 0.399) using similar calculations. The results show that, with long periods of local official propaganda, the target population's political trust in local and provincial governments regarding the pension pilot policy consistently declined, reversing from positive to negative. In general, we may conclude that the negative effect of long-term local official propaganda on local regime support does not vary among different social groups.

More robustness tests, including results with order logit model, multilevel model, models with intergenerational difference, and other confounding variables can be found in Appendix A, Section A4.

## Conclusions

Policy experimentation can help downplay controversial reforms by slowing down policy implementation and minimising the confusion and reaction of the public. In cases where the authority wishes to evaluate the potential trade-off between opportunities and challenges of conducting social and economic reforms (social change), policy experimentation is useful to buffer the associated risks. Meanwhile, it is vital for the authority to promote its intentions, construct knowledge, and shape a population's ideology by propaganda. Hence, a combination of incremental piloting of policy and relevant constructed propaganda helps the government to manage any chance of public discontent and build a consensus for the reform.

A government always needs to make the greatest possible effort to promote a potentially controversial policy, especially during a time of socio-economic transition. After the 'socialisation' period, the welfare reform in China entering the 2010s exhibited substantial diversity in policy design, under increasing pressure from the people over the social justice of redistribution and the sustainability of the welfare system. The government proposed reforms such as postponing the retirement age, integrating the rural and urban pension schemes, and allowing the social security fund to be listed. However, the steady progress of these follow-up adjustments relied on a consensus over the sharing of welfare responsibility between the state and individuals.

Evidence in this chapter shows that China's pension reform for urban enterprise employees is a combined tactic of policy experimentation and official propaganda. However, although the socialisation of welfare provision relieved the government of its complete responsibility, the transition may also reduce the public's confidence on government capacity and accountability. Therefore, the central government used policy experimentation for the pension reform as a dialogue mechanism between the state and the public for building up social consensus on a welfare system with hybrid contributors. Local governments employed official propaganda to socially construct and persuade the public by projecting an omnipotent image of the government as a way of maintaining the public's faith about regime capacity.

The empirical results based on two rounds of survey data and local propaganda data show that the pilot policy decreased the public's perception of governmental responsibility on elderly welfare in general. Moreover, the longer that individuals experienced the pilot policy, the greater the attitudinal change was. However, along with the pilot policy, local governments' use of official propaganda to maintain the government's image amid welfare provision and justify shared responsibility *reduced* the public's faith in the omnipotent role of the government to a certain extent. Moreover, the disjunction of policy propaganda and policy experimentation seems to have been recognised by the public and this phenomenon led to a decrease in the perceived credibility of the governments in the long term.

These conclusions align well with those in many studies focusing on the transitional role of governments in welfare reforms. Despite China's policy experimentation and propaganda both being useful at the onset, the political attitude of the public in general later seems to have been influenced by the mixed information arising from the various approaches. As in other cases, their support for the regime may lessen unexpectedly – or even reverse – in the long term. Facing the state's well-designed statecraft, an individual's options are limited but not null. People are capable of identifying the potential inconsistency in policy details and the propaganda, so should the state be seen to (in a broad sense) 'go back on its word' this might lead to loss of public confidence. Therefore, in Chapter 5 I move beyond looking only at pension reforms to further unpack the wider state–individual power interactions, from the perspective of individuals and the possibilities they have for counter-conduct.

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### Notes

- <sup>1</sup> The dataset does not include the official newspaper data of Shandong Province and thus is complemented by another newspaper database, that of 'Wiseneews' (<http://wiseneews.wisers.net>) [accessed July 2016].
- <sup>2</sup> 'National Bureau of Statistics' (<http://www.stats.gov.cn>) [accessed July 2016].
- <sup>3</sup> The pilot policy was conducted in three waves. The full scale of funding the individual accounts by local governments and the financial subsidies from the central government varied somewhat across these three waves.

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