CENTRAL POLICY UNIT

THE GOVERNMENT OF THE HONG KONG
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RULING WISELY : A STUDY ON THE
WISDOM-POOLING DECISION-MAKING MODEL OF
THE CENTRAL PEOPLE’S GOVERNMENT BASED ON
CASE STUDIES OF CHINA’S FIVE YEAR PLANS

THE CHINESE UNIVERSITY OF HONG KONG

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Executive Summary

By closely examining the formation process of China’s 12th Five-Year Plan (2011-2015) from historical and comparative perspectives, this study seeks to understand how the Chinese Central Government makes its major public policies.

As shown in this report, in retrospect, the formation approach of China’s Five Year Plan (Hereafter FYP) has undergone profound changes over the last six decades. We can identify five models, namely, 1) the model of collective decision within the small circle of top leaders (the 1st – the 2nd FYP); 2) the Mao-dominant model (the 3rd – the 4th FYP); 3) the restored collective model (the 5th – the 6th FYP); 4) the consultative model (the 7th – the 9th FYP); and 5) the wisdom-pooling model (the 10th – the 12th FYP). The trajectory of changes with regard to the formation of FYP essentially reflects the overall transformation of the Chinese polity, a progression toward more scientific and democratic governance.

The so-called “wisdom-pooling” model, as embodied in the process of preparing the 12th FYP, consists of five sequential steps:

- **Soliciting views from all sides**: Before starting the formal preparation of a policy, the General Government first mobilizes via various channels all relevant parties to express their views, and to provide suggestions, on relevant issues. One of those channels is quite distinctive: field investigation. The political system of China attaches great importance to field investigation in person at the grassroots by leaders at all levels. In addition to those policy advisers responsible for policy draft, thousands of leaders (including the nine members of the Politburo Standing Committee, the members of the State Council, the National People's Congress, CPPCC, and democratic parties) traveled around the country to conduct special investigations on the 12th FYP. The purpose of this step is for policy makers to gain access to scattered information and divergent viewpoints so as to form a more comprehensive, in-depth understanding of the reality.

- **Pooling public wisdom**: Policy advisers then process the information and viewpoints collected. As such rudimentary data are likely to be one-sided and superficial, reflecting things incompletely, policy advisers have to “discard the dross and select the essential, eliminate the false and retain the true, proceeding from the one to the other and from the outside to the inside,” in order to form a policy draft that attempts to reflect the complicated reality as much as possible.

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**Inviting comments and advices**: Once done, the first policy draft is to be distributed to key relevant parties and experts (including democratic parties, business associations, domestic and international research institutes, Chinese and foreign experts) for their comments and criticism. Such feedbacks are to be incorporated in the amended policy draft. The purpose of this step is to take in different ideas, opinions, and views so as to overcome possible partialities of the policy advisers.

**Collective decision making**: Through the collective deliberations of the amended policy draft, leaders or governing bodies at different levels successively produce final policy drafts of their own until the highest political level comes to confirm the final policy document with legal effect.

**Making the policy known to all**: After finalizing the policy, the government would endeavor to disseminate it to all relevant parties. The purpose of this step is either to consult relevant parties for the next round of decision-making, or to lay a consensual basis for the eventual implementation of the final policy.

The Chinese government spent more than two years in preparing the 12th FYP, during which it went through four rounds of “wisdom-pooling”: 1) the mid-term assessment of the 11th FYP; 2) setting the keynote of the 12th FYP; 3) the formation of the CPC Central Committee’s 12th FYP proposal; and 4) the formation of the State Council’s 12th FYP outline, which was to be adopted by the National People’s Congress on March 14, 2011. Each round of decision-making underwent the five sequential steps of “wisdom-pooling” mentioned above.

The “wisdom-pooling” decision-making model is democratic because it aims at engaging as many relevant parties as possible. Although the National Development and Reform Commission and the Central Financial Work Leading Group Office were assigned to take the lead in preparing the FYP, countless governmental (e.g. central ministries, local governments, the People’s Congress, the CPPCC, and government think tanks) and non-governmental stakeholders (research institutes, academic scholars, associations, and the general public) were involved in the process. It is particularly noteworthy that China has long institutionalized the mass-line, a practice we term “reversed participation”. Different from the active participation of political actors, the mass-line obliges policy-makers at all levels (including such topmost leaders as the nine members of the Politburo Standing Committee) physically to approach the masses, especially those at the grassroots, feeling their pain and knowing their needs. Field investigation mentioned above is a form of “reversed participation”. Moreover, decision-making is not the exclusive domain of a few top leaders, but a repeated process of collective deliberations, which allows leaders at all levels to play a part in the planning process. By giving full play to relevant parties’ inputs, this model is good at absorbing public wisdom.
The “wisdom-pooling” decision-making model is also scientific because, with limited rationality, only in this way can decision-makers collect enough relevant information to overcome problems related to scattered information and information asymmetry. Moreover, since the FYP will more or less affect all stakeholders’ interests, only in this way can decision-makers find ways to accommodate their diverse preferences and to reach a policy consensus. Thus this model is also good at avoiding deadlock in the approval process and resistance in policy implementation.

One chapter of the report compared China with the case of India, a country that is also based in part on planning through its five-year plans. Currently, India is preparing its 12th FYP (2012-2017). While China has been labeled an authoritarian state, India has often been hailed as the “world’s largest democracy.” As far as the formation of FYP is concerned, however, India’s policy-making is very elitist with a small circle of political and professional elite dominating the policy process. Unlike China, where the FYP is the product of collaboration between different central ministries and different local governments, India’s 11th FYP (2007-2012) was the work of a handful of central technocrats. In India, the final decision-making power is highly concentrated in the hands of the Prime Minister, whereas in China, such power is shared collectively among the nine members of the Politburo Standing Committee. Another striking contrast is the role of the legislature. Yes, in both countries, the FYP needs the formal approval from the legislature. However, the Indian Parliament makes little contribution to the preparation of the country’s FYP, while China’s National People’s Congress and CPPCC are active in offering suggestions and advices throughout the planning process. Both India and China seek the public’s inputs on matters related to their respective FYP, but the range of public consultation is much broader in China than in India. Although India has a dynamic NGO sector, its impact on the FYP formation is at best modest. In China, on the other hand, as the “mass line” compels policy-makers at all levels to stay in close contact with people from all walks of life, they are in a good position to bring together public wisdom and thereby to develop high quality, and responsive policy.