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# On the Nature of Public Policy

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Since Harold Lasswell and Daniel Lerner published *The Policy Science: Recent Developments in Scope and Method* in 1951, public policy analysis has been developing into an engaging discipline, and it is even considered a revolution in contemporary social sciences. At the same time, it is evident that public policy analysis has not constructed a solid bridge between academic research and empirical research, behavioral science and management science, and academia and the practical circle. That is, public policy analysis has not fulfilled the task of interdisciplinary integration.

To some degree, this is because people have not agreed upon the nature of public policy, which is the basic unit of public policy analysis. This hinders its passage to academic dialogue. Strictly speaking, public policy analysis has not grown into a systematic paradigm. It is rather like a research method that covers many fields and involves many disciplines. Different methods of public policy seem to be at odds with each other. In order for there to be an academic dialogue, it is necessary for public policy analysis to first reach a consensus on its basic unit of analysis, "public policy." This will allow policy analysis to gain greater acceptance.

This article focuses on the nature of public policy. It includes: (a) defining public policy in the light of problem-solving (b) arguing that the functions of public policy during the process of solving objective differences include not only allocation, but also production, exchange, and consumption of public interests (c) showing that the function of the consumption of public interests is negative, as contrasted with allocation, pro-

duction, and exchange—which are positive functions—so that it must be limited in the policy process.

## Review of Traditional Views

The following are traditional views regarding the nature of public policy:

(1.) Woodrow Wilson, who is arguably the father of modern public administration, contends, "public policy is the laws and regulations which are made by legislative statesmen and implemented by public administration personnel" (as cited in Wu Qiyuan, 1985, p. 4).

This definition is obviously characterized by "the dichotomy between politics and administration," which narrows the scope and limits the range of public policy makers. First, public policy includes not only laws and regulations, but also government's plans, instructions, decisions, and other symbolic systems. Secondly, those who participate in the making of public policy include not only statesmen, but also representatives of citizens, experts, and scholars. Especially in the modern era of the "administrative state" (Waldo, 1984), with the sharp expansion of governmental function and the wide application of administrative judicial rights, executive authorities' participation in making public policy has increased steadily. In connection with the above, Paul Appleby (1949) points out, "decision-making doesn't merely belong to politics," and "public administration means decision making" (pp. 27, 170).

(2.) Harold Lasswell and Abraham Kaplan (1970) define public policy as "a projected program of goals,

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*Abstract:* Based upon an analysis of different academic views on public policy, this article points out the deficiency of each, especially David Easton's view of "allocation of values." Through the analysis of solutions to public problems, this article concludes that the nature of public policy is government, which takes governmental interests and public interests into consideration, and chooses to reduce either objective difference or subjective differences in order to solve public problems effectively and in a timely manner. Public policy can directly adjust social interest relations to reduce objective difference by exercising three positive functions — production, allocation, and exchange of public interests. It can further set public interests aside and merely mitigate public dissatisfaction, or reduce subjective difference by reducing or diverting public expectations. Furthermore, government must guard and restrain public policy's inherent negative consumption function of public interests.

values, and practices" (p. 71). The aforementioned definition confuses public policy with programs, making the latter seem overly extensive. A program can be public policy, but not all public policies are programs. As has been pointed out, public policy also includes instructions, decisions, laws, regulations, and other symbolic systems that government sends out.

(3.) Thomas R. Dye (1987) thinks, "Public policy is whatever governments choose to do or not to do" (p. 2). Dye focuses not only on government action, but also on government inaction, and therefore, his definition shows the obvious character of behavioralism. It reflects the practical discipline quality of public policy analysis. "Action" means that government takes measures or uses symbols openly in order to solve some public problem. "Inaction" means that government does not take measures or express active symbols, abiding by the principle of noninterference. Both are important solutions to public problems. For example, given that China has been carrying out political system reform means that it has been implementing "action" policy. But Chinese Premier Zhu Rongji (2001) points out, at the same time, that "the political system reform in China can never copy western patterns, that is to say, China will not adopt the alternative of banking on political parties or bicameralism." This is, in fact, a kind of "inaction" policy. Dye's definition is too extensive and lacks adequate maneuverability. His definition confuses two types of governmental behavior in implementing public policy with public policy itself. The nature of public policy should be determined at a deeper level.

(4.) Robert Eyestone (1971) defines public policy most extensively. He states, "In a broad sense, public policy is the relationship between governmental organs and their environment" (p. 18). It is evident that Eyestone is influenced by the science of ecological administration. Indeed, public policy is the function of a governmental system and its living environment, namely  $P : F(G, E)$  (here, P refers to public policy, G refers to governmental system, and E refers to the living environment).

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This response, however, inevitably involves the preferences and interests of government itself. Public policy reflects the double demand of government and its environment. Eyestone's view, therefore, is relatively deep.

In the first place, what is a governmental environment? Is it only the surrounding environment outside government? I think that government, like any other organization, is an open, and not a closed system. The boundary between closed systems is impenetrable, but the

boundary of an open system and a wider super-system is penetrable. Besides, environment includes not only the societal (general) environment, but also the task (specific) environment. The former is defined as the forces that affect all organizations in a society. The latter is defined as "the more specific forces that are relevant to the decision-making and transformation process of the individual organization" (Dill, 1958). "The distinction between the general environment and the task environment is not always clear-cut and is continually changing. Forces in the general environment are continually 'breaking through' into the task environment of the specific organization" (Kast and Rosenzweig, 1979, p. 132). "Even beyond the task environment there are environmental factors and phenomena which may affect the organization. Clearly, the environment is a continuum in which relevance is a matter of degree" (Thorelli, 1967, p. 69). Further, M. R. Louis looks at organization itself as "the environment where culture is produced" (as cited in Zhu Lijia, 1997, p. 274). Within this, the boundary between government, which is an open social system, is not easily defined and proves to be penetrable. It is imprecise to define public policy merely from the interaction between government and its environment.

(5.) David Easton (1953) defines public policy as "the authoritative allocation of values for the whole society." Furthermore, "the nature of policy is that some things are owned by some people but not by others." This view points out the values allocation function of public policy, which is favored by many scholars. There are, however, attendant concerns regarding this viewpoint.

First, what are values? According to Easton, values involve not only tangible matters, such as capital, but

also intangible matters (e.g., power, reputation, and service). As a philosophical concept, "values" are the function and utility of object for subject. At the same time, "values" can be understood as all objects having utility for subjects. Easton's definition of public policy using the term "values" is inherently ambiguous. That is, "[Because of] the extensiveness of 'values'... [it is] necessary to [replace] 'values' with 'interests'" (Chen Qingyun, 1996, p. 5).

Interests are all the resources and conditions which are necessary for the survival, development, freedom, and happiness of people. As a matter of fact, the values "for the whole society" are public interests. Since being offered by neoliberal philosopher John Rawls in the 1970s, the thought that individual interests are prior to public interests has deeply influenced modern government's public policy. Economist Kenneth Joseph Arrow's (1986) "theorem of impossibility" contends it to be impossible to cultivate a unanimous social choice or to construct hierarchical arrangement of social interests. In other words, there is no unitary "public interest."

The policy credo mentioned above cannot tell public policy from private policy; hence, it is harmful to public interests. James Anderson defines public interests as "the interests which [are] shared by people universally and continuously," and that "government's task is to serve and promote public interests" (trans. 1990, p. 56).

Second, does the allocation of objects of value or interest presume making alternatives? According to Easton, the nature of policy results not only in beneficiaries, but also victims. In my opinion, this assumption is not entirely valid. There can be three situations in the values allocation of public policy: (a) There are both beneficiaries and victims, which is relatively common; (b) there are beneficiaries but not victims (e.g., China's public policy for rural reform in the 1980s resulted in the pareto optimum); (c) there are victims but not beneficiaries (e.g., the former Soviet Union's policy of military expansion failed to directly help the Soviet people, as it led to the decline of state power and the depression of the national economy). This proved to be a total failure of public policy.

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Third, can all values in society be allocated? According to David Easton, values are things that are valuable for people. Yet, there are too many things that have utility for people, including natural values (e.g., sunshine, rain, terrestrial heat, and the ozonosphere) and human values (e.g., property, power, status, and reputation).

Generally speaking, public policy can allocate human values, but not natural values. But with the blurring of the divide between what is human-made and what is natural, many social values are increasingly becoming integrated. For example, governmental policy could not allocate sunshine, which is a natural value in traditional society. No policy can prescribe property rights for sunshine so specifically that some possess sunshine but others do not. Therefore, not all values in society can be allocated by public policy.

Finally, does public policy only have the function of allocation? Richard Musgrave (1959), like David Easton, espouses three economic functions of government: (a) stabilizing the economy (maintaining a full-employment economy) (b) allocation (of income) (c) redistribution (of resources). I think that they overemphasize the values allocation function of public policy because we can ask, following their logic, "does public policy have only the function of allocation"? Chen Qingyun (1999), a professor at Peking University, believes, "Public policy is the behavioral norms made by government [in pursuit of its goal, at any given time], to promote and allocate the public interests of society." By this definition, public policy not only needs to allocate values, but also bears the function and mission of promoting or producing values. In other words, besides the functions of allocating social values or public interests, public policy has the function of producing, exchanging, and consuming public interests.

### *1) The function of production*

According to classical economist, Adam Smith, government should only play the role of "night watchman." Government needs only to divide and allocate the cake, which should be made large by liberal market mecha-

nisms. Repudiated in the 1930s, the laissez-faire mechanism that fostered market fetishism gave way to Keynesian economics, which emphasizes state intervention and governmental responsibilities, thereby signaling the end of the "passive government" era. Although the rise of Reagan economics and Thatcherism in the 1970s once led to the return to neoliberal economics, intervention and liberalism remain two opposing schools of thought today.

It is not a question of whether government should intervene. Rather, it is degree of governmental intervention that fosters debate. The World Bank (trans. 1997) states, "[It is] impossible to achieve economic, social, and sustainable development without an effective government. It is an effective government that is the key to economic and social development." Joseph E. Stiglitz, (trans. 1989), who is one of the 2002 Nobel Prize winners for economics, emphasizes the production function of government. His view is that, "Government itself directly participates in production when it influences private production [through] the legal system, legal mechanisms, direct and indirect allowances (the allowance built by the tax system is sometimes called tax expenditure), credit activities (direct loan and loan vouchers), and supply of public service.... In the U.S.A. ... government not only produces goods privately consumed (e.g., railway service) but also orders goods publicly consumed (e.g., military planes) from [the private sector]" (pp. 34-36). It is the supply of public goods that is the calling of government. Government directly produces such public goods and services as national defense, environmental protection, public order, and public infrastructure by implementing public policy (e.g., direct investment and state-controlled shares). This is the case in every modern country, especially in government-dominated developing countries, despite differences in their degree of nationalization.

Certainly, there are arguments about the supply of public goods. In recent years, western countries have made great efforts to change the traditional pattern in which public goods and services are monopolistically supplied by governmental sectors. There has been a turn to the socialization of public service in order to better

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supply public goods. This includes contracting out, privatization, public-private partnerships, and community service. With this in mind, public policy possesses the production function of public interests. However, government should bear the burden of deciding whether the production of public goods should be direct or indirect.

*2) The function of exchange*

According to Peter Blau's theory of social exchange, each process of social intercourse can be looked at as an exchange of resources between people. "Social exchange, as the term is used here, refers to voluntary actions of individuals that are motivated by the returns they are expected to bring and typically do in fact bring from others." (Blau, 1964, p. 91). Indeed, there is social exchange among governments as there is among individuals or groups. "Social exchange differs in important ways from strictly economic exchange. The basic and most crucial distinction is that social exchange entails unspecified obligations" (ibid., p. 93). There is exchange function in public policy indeed. For example, a government undertakes foreign trade with others by signing and implementing intergovernmental contracts under the principle of comparative advantage. This is a natural exchange of social values. According to Heckscher-Ohlin's gift theory, comparative advantage results from relative gifts of production factors and different factor intensiveness of different merchandise production in different countries. Therefore, each country should produce and export products that consume relatively sufficient production factors, and import products consuming relatively scarce production factors. In so doing, every country's welfare is promoted.

China's entry into the World Trade Organization (WTO) in 2001 indicates Beijing's willingness to promote the exchange of social values and relations of mutual priority with foreign countries. The exchange function of public policy applies not only among central governments of different countries, but also among local governments of each country. For example, in recent years, western China, which has the greater advantage in natural resources, has benefited from the investments

and the talents of eastern China by mutual priority exchange after the Chinese central government carried out its public policy of "great western development."

### 3) *The function of consumption*

In reality, besides the three positive functions mentioned above (the production, allocation, and exchange of public interests), public policy has a negative consumption function, which often takes the form of interiority or rent-seeking by governmental sectors. It can lead to political disorder, reduce the legitimacy of the political system, and even destroy the production, allocation, and exchange functions of public policy. According to public choice theory, government, which is not benevolent, has the character of the "economic man" and is "an egoistic, rational, utility maximizer" as well (Mueller, 1979, p. 1). And government, which is the supplier of public goods, obviously has more familiarity and command over these goods. As a result, when faced with an opportunity for rent-seeking, government can impose and extract rent, or otherwise appropriate and consume public interests which were originally meant to be shared by the public. What matters is not to eliminate the consumption function of public policy (public choice theory proves that any attempt like this is in vain), but to limit the negative self-consumption function of public policy by constructing systems, a democratic credo, transparent politics, etc.

### **Public Problems as Reasons for Public Policy**

Public policy and private policy differ, given the public nature of the former. Public policy should reflect the public will. In the modern world, although the human capability for developing nature and transforming society has grown in an unprecedented fashion, many public problems arise (e.g., the deteriorating environment, population explosion, global warming, internet deceit, garbage disposal, the fall of the water table, and the rampancy of terrorism). After more than 20 years of reform,

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and having opened itself to the outside world, China's market economy has grown very rapidly, and the Chinese standard of living has continuously improved. At the same time, many public problems have appeared (e.g., a worsening environmental pollution, the irregular flow of the Yellow River, the fall of the water table, retrogression of fishery resources, retrogression of grasslands, smaller forest acreage, loss of water and soil, fragile public security, and a poorly maintained infrastructure). These public problems cannot be solved by any private organization It must be government's responsibility, as govern-

ment can coordinate itself and civil society towards sustainable development through flexible and effective public policy.

As an output of the political system, the fundamental value of public policy lies in the effective and timely solution of public problems. In other words, public problems are the cause and reason for public policy. As Chinese Taiwanese scholars Zhang Shixian and Chen Hengjun (1997) write, the value of public policy is "to deal with or solve public problems or public goals" (p. 3). The American scholar J. S. Livingston correctly points out, "The finding and [confirmation] of problems is more important than the solution of problems. For a decision-maker, to solve a wrong problem by a complete and elegant project will cast a larger blight upon his or her department than to solve a right problem by a relatively incomplete project" (as cited in Zhang Jinma, 1992, p. 133).

A problem is "the deviation between 'is' and 'ought,' or the difference between the existing state and the expected state of a system" (Jiang Shengjie, 1986, p. 78). Problems are defined in accordance with individual interests, values, knowledge, and convention. That is, different individuals have different understandings and cognitions. Nevertheless, the human understanding of problems is essentially identical, with only minor differences. This results from the following factors: (a) There is relative homogeneity among a group facing the same problem; (b) in comparison with values and conventions, interests are dominant. More specifically, Karl

Marx and Friedrich Engels (tr., 1995) writes, "The start and proceeding of revolution is aimed at interests but not principles. It is only interests that can develop into principles" (p. 551). The cognition difference resulting from values difference, therefore, is less than the interest consistency of groups, which ought to be taken into consideration in decision making.

A problem is either private or public (social), depending upon its scope. A private problem is one where the cost and income only influence a single individual or a limited number of people. In other words, its beneficiaries and victims are specific and limited. Generally speaking, a private problem can be solved by private efforts. In private affairs, an individual has adequate initiative to maximize his or her interests without any exterior regulation, supervision, and adjustment for the symmetry between income and cost of the problem. As a matter of fact, even when there is well-intended regulation, there is asymmetry between income and cost in private affairs. "A prosperous society always makes the greatest efforts to ensure privacy, sufficiently esteems rational choice, and sufficiently protects the rights of an individual to deal with his or her private affairs, in contrast to which a poor society often unlimitedly interferes in private affairs, and forcefully restrains, even deprives, the liberty of individuals to deal with private affairs under the principle of the 'boundary rationality' of individuals" (Mao Shoulong, 2002). Therefore, public policy should, as much as possible, not interfere in private problems.

A public problem is a problem which influences the whole society and is "socially-shared" (Chen Qingyun, 2000). After recognition of a public problem's existence, the public must have the intention to resort to government, which is the public sector for the whole society. But intention is not action. The public must take action to press government to bring the public problem into its policy agenda. Action can be taken under the following conditions: (a) A strong civil society makes the public dare to mobilize and appeal to government; (b) a receptive democratic government is willing to listen to the voice of the public; (c) even if it is not democratic and constitutional, government wisely brings the public

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problem into its policy agenda; otherwise, social turbulence may ensue, undermining its own legitimacy.

A public problem that is not addressed by government may result from the following: (a) Civil society is weak, meaning that there is a shortage of resources and lack of courage, which are necessary for a public appeal to government; (b) an autocratic government can neglect social needs; (c) even if it is

democratic, government has its own interests, or rather is "the broker of specific interests" (Anderson, trans. 1990, p. 222). Should the solution of a public problem prove to be unbeneficial, or run counter to governmental interests, government inaction is likely.

It should be noted that both public and private problems result from two factors: subjective expectation and objective situation. Public policy can, therefore, solve public problems in two ways: reducing subjective and objective indifference.

(1) Reducing subjective difference among the public (i.e., reducing or diverting public expectation and mitigating public dissatisfaction). In other words, government neither takes action aimed at the solution of the public problem, nor does it adjust social interest relations. Rather, it uses propaganda machines to make the public feel as though "the problem is not as serious as we thought and will be solved in a very near future."

This is a policy choice that is suitable for the temporary treatment of crises. It can give people comfort and temporarily relieve societal tension. For example, Vladimir Putin won the Russian Presidency, defeating several successors to former President Boris Yeltsin. Putin's success was predicated upon favoring a policy of eliminating rebel forces throughout Chechnya. Putin chose not to participate in the domestic political struggle. As a result, attention was diverted from the depressed domestic economy to the war in Chechnya, thereby vaulting Putin to power.

The policy choice of reducing subjective difference is obviously characterized by Machiavellianism, and often gives the public the feeling of being deceived. But, as Niccolo Machiavelli (1513) wisely said, "So a prince has, of necessity, to be so prudent that he knows how to escape the evil reputation attached to those vices which

could lose him his state, and how to avoid those vices which are not so dangerous, if he possibly can; but, if he cannot, he need not worry so much about the latter." This is because "Some of the things that appear to be vices will bring him security and prosperity" (p. 49). Therefore, this policy choice can play a certain role under specific situations.

All public problems result from competing interests. Public policy's interest and process-natures vitiate government's attempt to avoid solving public problems by reducing subjective difference. Contradictions accumulate until social turbulence, thereby increasing the likelihood of revolution. After mitigating public problems temporarily and superficially by reducing the subjective difference of the public, public policy should turn to the complete solution of public problems without hesitation, by reducing objective difference.

(2) Reducing objective difference (i.e., public policy directly accepts the challenge of public problems and focuses on the adjustment of social interest relations). Government utilizes many methods to find and discern public problems (e.g., public-opinion polls, media analyses, and documents study). Government can predict the problems and trends that may appear during a long period through some methods — for instance, the historical analytic approach, judgment by intuition, matrix analysis, prediction analysis, and the Delphi method. In so doing, government can choose to produce, allocate, or exchange public interests. At the same time, the negative consumption function of public policy must be guarded and restrained. Through the production, allocation, and exchange of public interests, public policy can reduce objective difference and achieve a solution to public problems.

The concepts and arguments presented above are illustrated in China's reform. Through more than 20 years of development, China's reform is no longer the so-called Pareto optimum. Each step of reform has resulted in a disequilibrium between reform income and reform cost. In addition, crony capitalism and power capitalization have led to numerous public problems that

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have demanded prompt solution, such as the uncompleted SOE reform; the increasing unemployment rate; the polarization between rich and poor; market disorder and segmentation; the lack of distinction between the Communist Party of China (CPC), government, and enterprises; corruption and rent-seeking; the fragile rule of law; and the increasing sense of retrogression of society. With this in mind, public policy's consumption function of public interests has not been effectively limited, and hence, has resulted in the increasingly weak dynamic of China's reform. Authoritative Chinese economist Wu Jinglian (1998) points out, "The dynamic system of reform is not strengthened but weakened in the second decade of reform," which perhaps is

one of the most important public problems currently facing the Chinese government. Obviously, the public problem has to do with the objective situation. Therefore, dissipating subjective difference by morally preaching politics, without directly adjusting interests and proportioning reform cost, has failed to stimulate the dynamics of China's reform. The Chinese government joined WTO resolutely in 2001, thereby ensuring that China's reform would be in accordance with international rules, and to make its opening to the outside world force reform. This indicates that the Chinese government is carrying out the exchange function of public policy in order to exercise not only the mutual priority principle of trade, but also to stimulate internal reform.

### **Conclusion**

Public policy has the power to reduce subjective or objective difference in order to bring solutions to public problems. The nature of public policy, therefore, is government; and government takes its own interests and public interests into consideration as it chooses to reduce objective or subjective difference in order to solve public problems effectively and expeditiously. Public policy can directly adjust social interest relations to reduce



objective difference by exercising three positive functions: production, allocation, and exchange of public interests. However, it also has the option of setting public interests aside and merely mitigating public dissatisfaction by reducing or diverting public expectation to reduce subjective difference. Furthermore, government must guard and restrain public policy's inherent negative consumption function of public interests.



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