1
Introduction

Li Jing, a 26-year-old journal editor, and Wang Nan, a 31-year-old software engineer, were a couple working and living in Beijing. Like people of this age who were born in China's inland rural areas, they had a dream of settling down and starting a family in a large city, like Beijing, in China's economically advanced regions. Li and Wang's hard work since college had made their dream come closer than ever before: both of them had decent jobs in Beijing, and Wang Nan had finally paid off his student loans and his father's debts for medical treatment and long-term care for a serious stroke. For the first time in their lives, their savings had begun to accumulate. Everything with this couple, their income, family, and life seemed to be gradually improving until one day in 2011 when Wang Nan collapsed at work. A subsequent computed tomography (CT) exam made the doctor suspect that a tumor was growing in Wang Nan's brain. This led the young couple to embark on a long journey full of struggles with the city's health care system and social insurance bureau.[1] Compared to millions of peasant workers or informal employees in Beijing, Wang Nan was lucky: he had good health insurance—the social health insurance for urban (formal) employees. But still, he wasn't allowed to choose the best hospital and doctors for treatment. The hospitals and doctors that Wang Nan desperately needed to save his life were not the ones designated by his health insurance—they were considered "out-of-network." In a city like Beijing with over 20 million people, good hospitals and doctors are always scarce, even though the country's best medical professionals and resources are concentrated there. After pulling some strings, paying "red pockets" (informal payments to hospital employees), and being on the waiting list for quite a long time, Wang Nan was finally admitted to a preferred hospital for brain surgery to remove the tumor. The surgery, though successful, left Wang Nan frail and with a bleak prospect for full recovery. Meanwhile, financial problems were looming for this couple and their family. The medical tests and the surgery had wiped out all their savings before the more expensive and long-term chemotherapy began. Early on, Li Jing had not been worried because she assumed that "the health insurance [would] cover the costs." When their attempts to be reimbursed for the medical expenses after the operation were denied by the city's social health insurance bureau because "Wang Nan doesn't hold the local *hukou* (household registration)[2] in Beijing," Li Jing was completely outraged.

Social Protection under Authoritarianism. Xian Huang, Oxford University Press (2020). © Oxford University Press.
DOI: 10.1093/oso/9780190073640.001.0001

This young couple began to fight vigorously with this "unfair and unjust system." They began using social media to publish their real-life story to draw public attention to China's health care problems and the broader social protection system that has profound impacts on billions of citizens' livelihoods and well-being. Li Jing once wrote on her Weibo (equivalent of Twitter in China) that "when hearing the crack of my dream, I believe more than before that a just and fair system of social protection is crucial. We need public attention and we must shake the system so that they [the authority] understand our sufferings and the importance of us. . . . It [Wang Nan's disease] is just the beginning of the domino, bringing up a series of experiences about inequity, injustice, and inefficiency of the health care and health insurance systems. It made me see the distant and dark officialdom."

Li Jing and Wang Nan's story embodies the key themes of this book. Their experience provides several important observations about China's health system in the first decade of the 2000s. First, as migrants in Beijing they were incorporated into the city's social health insurance system through formal employment. Despite the city's later reluctance to cover his medical expenses after Wang Nan lost his ability to work, the preceding enrollment and coverage still signify major progress given the ubiquitous discriminations against non-local people in the decentralized social welfare system in China. Second, as ordinary people seeking better medical treatment and resources, Wang Nan and his wife encountered many barriers that demand personal payments, *guanxi* (personal connections), social status, and even luck in order to obtain the best possible opportunity for a cure. There are many people in China unable to overcome these barriers to receiving better or even necessary medical treatment due to their lower incomes, occupations, and social status. This reflects the long-lasting problems about health care accessibility and affordability ("*kan bing nan, kan bing gui*" or, getting medical care is difficult and expensive) in China in the reform era since 1978.

As a victim of a catastrophic disease, Wang Nan received financial protection and medical resources from social health insurance that were quite limited. It is probably not the disease but the injustice, inequity, and inconvenience the couple had experienced in dealing with the health system that have so stressed them. Li Jing and Wang Nan are an archetypal family of China's rising middle class in Beijing, and their resources are not the worst compared to some other social groups. But this couple's complaints and courageous articulation of their difficulties have revealed the hidden tensions behind the distribution of health care benefits in China in the reform era. Why do people with social health insurance still complain fiercely about the system? When and how did ordinary people, like Li Jing and Wang Nan, get covered by social health insurance? What are the benefits that the social health insurance offers to people like them and to others?

Before the disease struck Wang Nan in 2011, Chinese social health insurance had undergone a dramatic expansion. Taking power in 2002, the Hu Jintao administration pledged to build a "harmonious society" and adopt a "scientific development" perspective in governance, emphasizing the importance of balancing economic growth and social development. In the early 2000s, a social health insurance program for urban employees, the so-called Urban Employee Basic Medical Insurance (UEBMI, *chengzhen zhigong jiben yiliao baoxian*) was fully established in all Chinese cities. In the following years, social health insurance was rapidly expanded to reach rural China through the New Rural Cooperative Medical Scheme (NRCMS, *xin nongcun hezuo yiliao baoxian*) that was officially launched in 2003. Four years later in 2007, urban non-working populations such as dependents, elders, and students were incorporated into the social insurance system through another social health insurance program, Urban Resident Basic Medical Insurance (URBMI, *chengzhen jumin jiben yiliao baoxian*). In 2009, 60 years after the People's Republic of China (PRC) was founded by the Chinese Communist Party (CCP), the party central leadership announced comprehensive health reform to provide "safe, effective, convenient, and affordable" health care to all.

Prior to the expansion of social health insurance in 2004, less than one third of the Chinese population was covered by health insurance. By the end of 2011, over 90% had some form of social health insurance. The expenditure for urban social health insurance was 353.81 billion RMB in 2010, more than four times the level of spending in 2004.[3] People without local *hukou* (or residency), like Wang Nan, were insured either through employment-based social health insurance in the city where they work (e.g., UEBMI) or residency (*hukou*)-based social health insurance in their hometowns (e.g., URBMI, NRCMS). Similarly, expansive trends can be found in the provision of other social insurance benefits in China. Figure 1.1 shows that the number of beneficiaries for major urban social insurance programs, including pension, medical, and unemployment insurance, grew rapidly in China between 2007 and 2011. Among these programs, social health insurance is the largest and has increased the most significantly and rapidly. Hence, in this book I will focus on social health insurance programs to investigate the social welfare expansion in China during the first decade of the 2000s.

China is not unique among the middle-income developing countries in dramatically expanding social welfare provision. As early as the 1990s, China's East Asian neighbors South Korea and Taiwan had notably increased social welfare provision and were providing national pension or health insurance programs (Wong 2004). Likewise, in Latin American countries such as Mexico, Argentina, Brazil, and Chile, old-age pensions and health services previously restricted to formal-sector insiders also began to be extended to outsiders such as rural workers, the self-employed, the unemployed, and informal-sector workers in the

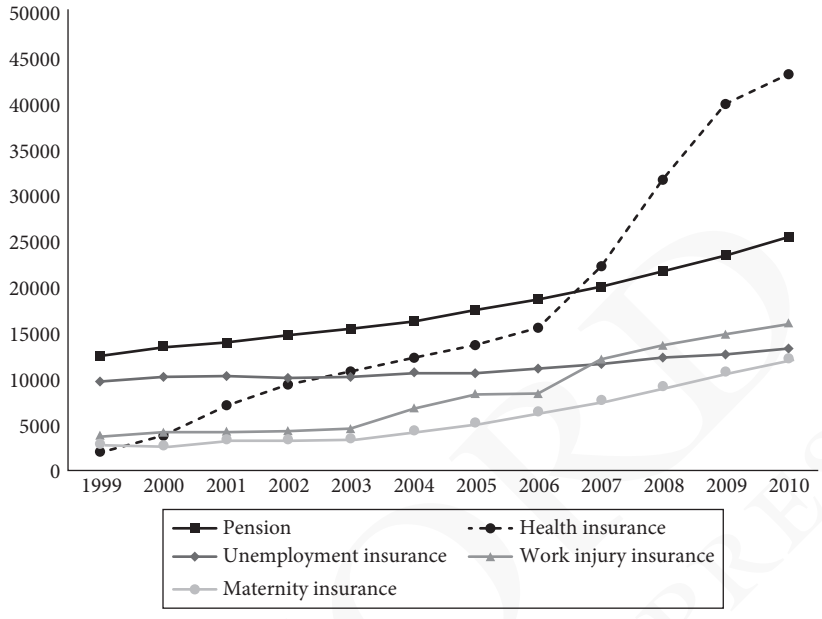

Figure 1.1 Individuals Covered by Urban Social Insurance Programs in China (Unit: 10,000)
Data source: *China Labor Statistical Yearbook* (2000–2011).

2000s (Garay 2016; Diaz-Cayeros et al. 2016). However, in most of these East Asian and Latin American countries, the expansion of social welfare was associated with democratization or the development of democratic institutions. The adoption of democratic regimes by these countries allows for competitive election and political participation, inaugurating channels for the expression of interests and demands for social benefits. Given the absence of democratization or significant political reforms in China, its attempts to expand social welfare are puzzling.

Besides the absence of democratization, China's unprecedented expansion of social welfare is puzzling for two other reasons. First, the expanded benefits have not only maintained the privileges of elite groups such as government and party officials, civil servants, public-sector employees, and formal workers of privileged state-owned enterprises (SOEs), but they have also reached the most vulnerable and disempowered social groups such as peasants and the urban poor. Rural residents, urban unemployed or self-employed people, even some rural-to-urban migrants who were previously excluded from the social welfare system, are now covered by separate social health insurance programs in China. This expansion of social insurance coverage runs counter to the intuition that these

marginalized social groups have less capacity to exert political influence and are thus more likely to be left out in benefit expansion in an authoritarian country.

Second, despite the national progress made toward increasing the overall amount of social welfare beneficiaries and expenditures, the expansion of social welfare is far from a uniform practice and shows remarkable subnational variation across Chinese regions. These variations reveal four distinct models of social welfare expansion in subnational China: (1) a generous and inclusive model: giving more people more benefits; (2) a generous yet exclusive model: giving certain social groups more benefits; (3) a strict yet inclusive model: giving meager benefits to more people; and (4) a strict and exclusive model: giving only meager benefits to only certain groups. These variations appear particularly puzzling given that China is a unitary state whose institutions are identical across the country. One might ask what political or economic factors can account for the remarkable regional variation in China's social welfare expansion.

This book addresses these puzzles about the social welfare expansion in China from 1999 to 2011 and explains its distributive variations across social groups as well as geographic units. More generally, it seeks to answer the following questions regarding social welfare provision in an authoritarian country: Why would authoritarian leaders expand social welfare provision in the absence of democratization? What are the distributive features and implications of social welfare expansion in an authoritarian country? How do authoritarian leaders design and enforce social welfare expansion in the decentralized multilevel governance setting?

I contend that in social welfare provision, authoritarian leaders face a trade-off of effectively balancing benefits between elites and the masses to maximize the regime's survival prospects. When authoritarian leaders concentrate too many benefits on elites, they become vulnerable not only to unrest from the discontented masses but also to threats from within the empowered elites who can replace the incumbent leaders. Yet when authoritarian leaders reduce the privileges of elites and empower the masses by universalizing benefits, they risk betraying the very elites on whom they rely for political survival.[4] Hence, the distributive pattern of social welfare provision results from the strategic choice made by the authoritarian leaders to balance the benefits between elites and masses. The Chinese authoritarian leaders choose to manage the distributive trade-off by establishing an expansive yet stratified social welfare system, perpetuating a particularly privileged provision for the elites while developing an essentially modest provision for the masses. The stratified social welfare expansion in China serves the central leaders' (the Center) interests in maintaining regime stability by enlarging the beneficiary groups while privileging the politically connected and important groups in the social welfare system. In China's decentralized multilevel governance setting, however, the stratified expansion of

social welfare is implemented by local leaders, who attempt to meet the Center's expectations for career advancement but confront various constraints in vastly different local circumstances. The decentralized implementation brings about great regional variation in the distribution of social welfare benefits in China.

Local political economies account for a substantial part of the regional variation in China's social welfare expansion. Chinese local leaders encounter different constellations of constraints in social policy implementation, namely, fiscal stringency and social risks. High social risks without adequate fiscal resources at local governments' disposal motivate the local leaders to focus their expansion efforts on enlarging the risk pooling of social health insurance, resulting in a strict yet inclusive model of health insurance expansion (i.e., giving meager benefits to more people); on the contrary, abundant fiscal revenues (whether locally sourced revenues or fiscal transfers from the central government) combined with low social risks encourage local leaders to enhance the benefits of social health insurance exclusively, leading to a generous yet exclusive model of health insurance expansion (i.e., giving certain groups more benefits). In contrast, a combination of both high fiscal revenues and social risks gives rise to a generous and inclusive expansion of social health insurance (i.e., giving more people generous benefits); by the same logic, a combination of both low fiscal revenues and social risks is conducive to a strict and exclusive expansion (i.e., only giving certain people meager benefits) which is basically to maintain the status quo of social health insurance characterized by low coverage and meager generosity.

The Center tolerates such wide regional variation in social health insurance expansion as long as welfare privileges of the elite groups (i.e., government and party officials, civil servants, public-sector employees, SOE formal workers) are maintained. But the balance between elites and masses in benefit distribution is delicate and volatile in China's authoritarian and decentralized multilevel governance setting. The dynamics of central-local relation in enforcing the stratified social welfare expansion stands at the core of the politics of social welfare provision in China during the 2000s.

1.1. The Puzzle: Stratified Expansion of Social Health Insurance in China

Social health insurance is the primary component of social protection and health benefits provision in China. The Chinese social health insurance in the 2000s is puzzling in two ways: dramatic expansion and prominent stratification. The number of people covered by Chinese social health insurance drastically increased as the system began to enroll not only the working population but also

urban and rural non-working residents in the first decade of the 2000s (Figure 1.2). In 2004, only 34.4% of the Chinese population were covered by social health insurance programs; by 2010, the coverage rate had increased to around 90% of the population. Meanwhile, the growth of health insurance generosity is substantial. From 2008 to 2001, the per capita expenditure of social health insurance has tripled.

A closer look at the social health insurance expansion, however, reveals that the expansion is remarkably uneven across subnational regions. Both the generosity and population coverage have differed remarkably across provinces during the expansion. Figure 1.3 shows that between 2007 and 2010, the coverage of social health

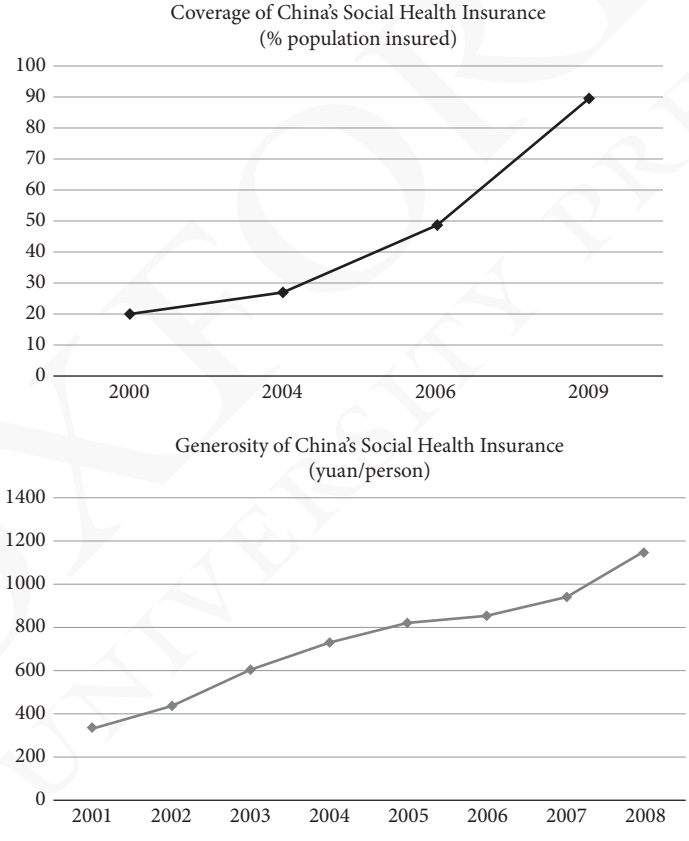

Figure 1.2 Expansion of Social Health Insurance in China (2000–2009)

Note: Coverage of social health insurance is measured by the percentage of people covered by social health insurance in the total population. Generosity of social health insurance is measured by the annual social health insurance expenditure per beneficiary.

Data source: *China Labor Statistical Yearbook, China Human Resources and Social Security Yearbook*, 2001–2010.

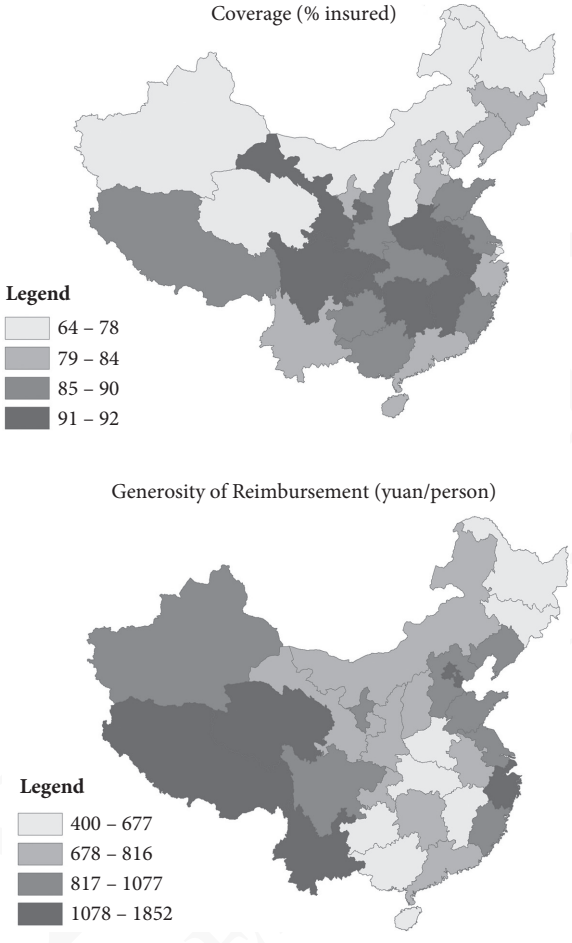

Figure 1.3 Subnational Variation in China's Social Health Insurance (2007–2010)
Data source: *China Human Resources and Social Security Yearbook*, 2008–2011.

insurance was much higher in the central and coastal regions than in the northeast and western regions; in contrast, the generosity of social health insurance was significantly higher in the western and coastal regions than in the central and northeastern regions. In 2010, up to one quarter of the urban population in northern provinces such as Qinghai, Shanxi, and Heilongjiang were still unprotected by social health insurance, while over 90% of the urban population was covered in the provinces along the Yangtze River such as Sichuan, Chongqing, Hunan, and Jiangxi. In terms of generosity, the per capita expenditure of urban social health insurance in Beijing, the capital city of China, was 1,852 yuan/person (averaged from 2007 through 2010), more than four times that of Jiangxi province in inland China.

Moreover, the stratification of social health insurance is manifest at the societal (group) level. Provincial health insurance statistics, presented in Figure 1.4, shows that peasants and their dependents were the largest beneficiary group in Chinese social health insurance expansion throughout 2007–2010. From 2007 onward, urban non-working residents, including urban unemployed,

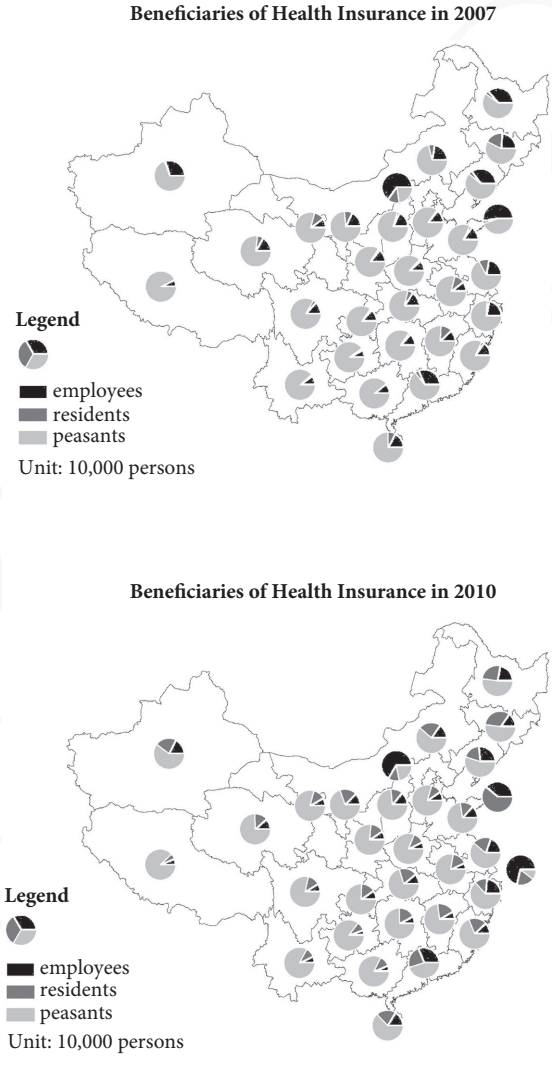

Figure 1.4 Social Health Insurance Beneficiary Groups by Province (2007 & 2010)
Data source: *China Health Statistical Yearbook*, various years; *China Human Resources and Social Security Yearbook*, various years.

self-employed, elderly, and students, were increasingly insured through the newly established URBMI program, becoming the second largest group of beneficiaries of social health insurance in most provinces by 2010. In contrast, the percentage of employees in social health insurance declined by 4% from 2007 to 2010. Only in the coastal metropolises (e.g., Beijing, Shanghai, and Tianjin), more than half of social health insurance beneficiaries were urban employees.

However, it would be wrong to conclude that urban employees, who are the primary beneficiaries of the UEBMI program, have lost out in the social health insurance expansion. On the contrary, a comparison of the per capita expenditures of UEBMI, URBMI, and NRCMS programs, respectively, in 2007 and 2010 suggests that in both years, the health insurance generosity for urban employees was remarkably higher than the ones for the urban non-working and rural populations (Figure 1.5). In 2010, the expenditure of the UEBMI program was thirteen times the combined expenditures of the URBMI and NRCMS programs. This indicates that the smallest group of social health insurance beneficiaries—urban employees—enjoyed the lion's share of social health insurance benefits. This indicates that the Chinese social health insurance in the 2000s was not only expansive but also highly stratified.

The prominent disparity between the size of beneficiary groups and the benefit level of their respective health insurance programs urges us to look carefully into the enrollment of social health insurance in China. Given that there are various social health insurance programs with distinct contribution and benefit rates in China, do citizens get to choose which program to join? Figure 1.6 shows a typical scene at a local social insurance administration center in China where citizens register for social insurance including pensions, health, unemployment, and work injury insurance. Individuals are instructed (guided by the overhead digital signboard) to go to different windows or stand in different lines for social insurance registration according to their socioeconomic status, including *hukou*, employment status, and employment sector. Since Chinese social health insurance programs are designed and organized around social groups (i.e., civil servants, public-sector employees, urban formal workers, urban non-working residents, and rural residents fall under different programs with distinct contribution and benefit rates), low-status groups cannot join the programs designed for higher-status groups (e.g., rural people cannot join urban programs; dependents cannot join employee health insurance).

All this evidence highlights the puzzling feature of China's social health insurance in the 2000s: the impressive growth of social health insurance enrollments and the increased number of social health insurance programs do not reduce, but rather reinforce, health inequalities across social groups and subnational regions. Instead of leveling the social playing field, the expansion of social health

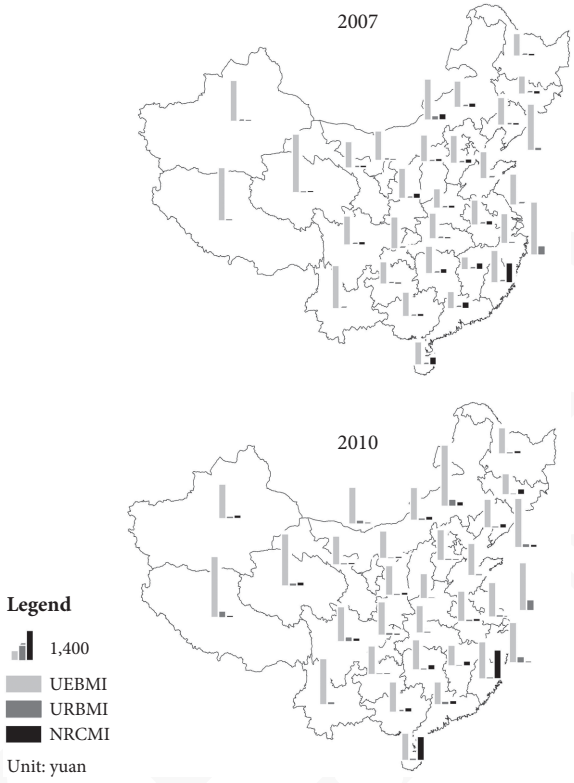

Figure 1.5 Generosity of Social Health Insurance Benefits by Program (2007 & 2010)
Urban Employee Basic Medical Insurance (UEBMI); Urban Resident Basic Medical Insurance (URBMI); New Rural Cooperative Medical Scheme (NRCMS).
Data source: *China Health Statistical Yearbook*, various years; *China Human Resources and Social Security Yearbook*, various years.

insurance in the 2000s has continued to link welfare benefits to citizens' social status, employment, and residency.

1.2. The Intellectual Lineages: Social Welfare Provision in Authoritarian Countries

The study of social welfare provision in non-democracies has been growing (Mares and Carnes 2009; Cammett and Sasmaz 2016). Unlike social policy in democracies—which usually results from the activities of social movements, organized interests, unions, and labor parties—social policy in authoritarian

Figure 1.6 Stratification of Chinese Social Health Insurance

Note: Picture showing people waiting to register for social health insurance; taken by the author in the social insurance administration building, Shenyang city, June 14, 2012.

countries is believed to be largely based on the proactive role of leaders who take preventive actions to deter future problems (Forrat 2012). To minimize potential threats to regime stability, authoritarian leaders must manage relations on two fronts in particular: the elites and the masses (Boix 2003; Acemoglu and Robinson 2006; Svolik 2012). As threats to regime stability can emerge from either front (Haggard and Kaufman 2016), choosing to distribute rents and goods only to elites or only to the masses is not an optimal strategy for authoritarian leaders. Authoritarian leaders must balance to their advantage the distribution of resources and benefits between elites and masses (Magaloni and Kricheli, 2010).

Extant studies suggest that authoritarian leaders provide welfare benefits to achieve multiple goals: they use social welfare policy to reward the loyalties of winning coalitions (Haber 2007; Bueno de Mesquita et al. 2003), to buy off dissidents (Gandhi 2008), or to engender human capital for economic growth (Wintrobe 1998). Based on these insights, I assume that authoritarian leaders are influenced by the multiple functions of social welfare; and more important, they factor the distributive trade-off between elites and masses into their policy choices in social welfare provision.

Extant studies also help to account for the differences in social welfare provision across political regimes or countries. Bueno de Mesquita and colleagues (2003) connected political leaders' policy choices about social welfare provision to a regime's institutions for selecting rulers (the "selectorate").[5] More specifically, Mares and Carnes (2009) contended that the specific profile of social policy that autocracies pursue is premised on their political strategy for survival such as cooptation , purge, or organizational proliferation.[6] While extant studies provide a solid foundation for understanding the political motivations of social welfare provision in the authoritarian regime, some important questions remain unaddressed in the literature.

First, beyond the macro-level association of authoritarian leaders' political strategies and their social policy choices, previous studies do not fully consider the trade-off of balancing social benefits between elites and masses, a political dilemma that authoritarian leaders constantly encounter and must resolve in order to maintain regime stability. When authoritarian leaders concentrate too many benefits on elites, they become vulnerable not only to threats from within the empowered elites who might replace the incumbent leaders, but also to unrest from the discontented masses. Yet when authoritarian leaders reduce the privileges of elites and empower the masses through universalizing benefits, they risk angering the very elites on whom they rely to ensure their political survival. How can authoritarian leaders design social welfare policies to strike a balance between the interests of elites and masses? What are the institutional and political conditions that facilitate such a balance? Is the strategic balancing in social welfare provision sustainable in the authoritarian setting? This book will pick up where previous research has left off. Analytically, I develop an argument that directly exposes the trade-off facing authoritarian leaders when allocating welfare benefits among different social groups, and I explain the stratified expansion strategy that authoritarian leaders may adopt in response to the trade-off. Empirically, I test the distributive implications of that strategy and explicitly examine the distribution of welfare benefits under Chinese authoritarianism.

Second, the influence of subnational politicians on the design and implementation of welfare programs has been absent in most discussions to date, because previous studies of authoritarian social welfare systems largely focus on policymaking at the regime level. However, subnational politicians have a crucial role to play in social welfare provision under authoritarianism. As many countries turn to various forms of decentralization, particularly in the developing world where state capacity is weak and the monitoring of policy enforcement is costly, national leaders often leave most of the decision making regarding welfare provision to localities (Diaz-Cayeros et al. 2016; Lü 2014; Niedzwiecki 2018). Local leaders' incentive structures and policy choices concerning social welfare provision thus merit closer attention. Theoretically, as most studies presume a nexus

between democracy and decentralization (Riker 1964), intergovernmental interactions (including cooperation, bargaining, and conflicts) are often studied in the contexts of electoral, partisan, and congressional or parliamentary politics (Wibbels 2005; Diaz-Cyeros 2006; Beramendi 2012). Nonetheless, we know relatively little about how central leaders operating within an authoritarian yet decentralized political system ensure that local social welfare provision will lend support to their paramount goal of maintaining regime stability. By examining local incentives and policy choices for social welfare provision as well as central-local interactions in the course of Chinese social welfare expansion, this book theorizes on policymaking and implementation in an authoritarian country where the state structure is characterized by decentralization and multilevel governance.

Third, even though the institutional design of welfare programs is typically multidimensional, many existing studies of social welfare focus on only one of its dimensions, usually levels of government spending. Examining levels of welfare spending, however, provides insufficient insight into the actual distribution of welfare benefits. This book focuses on the distribution of social welfare benefits and disaggregates it into three dimensions: generosity, coverage, and stratification. Generosity refers to the average level of benefits that beneficiaries receive. Coverage represents the percentage of the total population that has access to welfare benefits. Stratification captures the difference or inequality in levels of benefits received by different beneficiary groups or regions. This book demonstrates that the multidimensional conceptualization of welfare distribution can provide a more fine-grained and comprehensive framework for understanding authoritarian leaders' strategy and policy choices in social welfare provision.

This book develops a theory of social welfare expansion in the authoritarian setting. In this theory, authoritarian leaders are fundamentally interested in regime survival and stability.[7] As threats to the regime can come from both elites and masses, authoritarian leaders must distribute resources between them in a strategic manner. Doing so in a way that efficiently balances the distribution of benefits between elites and masses to maximize the leaders' survival prospects entails making choices with potential costs. Therefore, authoritarian leaders may try to expand a modest provision of welfare benefits to the masses while preserving a particularly privileged provision of welfare benefits for elites. I call this the "stratified expansion strategy" for social welfare provision. This strategy is manifested in the three dimensions of social welfare distribution in the following ways: (1) stratification: a hierarchy is established and maintained in the social welfare system in which welfare entitlements and benefits are linked to individuals' socioeconomic status or their relationships with the political authority; (2) expansion of coverage and generosity: on the condition that the hierarchy or

stratification is maintained, social welfare provision is expanded to incorporate non-elite groups and even to raise the benefit levels for these groups.

1.3. The Subject and Argument: Social Welfare Expansion in China

This book examines the institutional design, distributive characteristics and outcomes of social welfare provision in the authoritarian setting through a detailed study of the Chinese social health insurance system between the years of 1999 and 2011. In terms of regime type, China is a one-party (or single-party) autocracy. Compared to other mid-income one-party autocracies (e.g., Cuba, Vietnam, Laos, Uzbekistan, Turkmenistan) that have spent, on average, 5.85% of gross domestic product (GDP) on health care in the first decade of the 2000s, China has a more modest health expenditure—about 4.77% of GDP.[8] The Chinese level of total health expenditure in GDP is significantly lower than those of other autocratic regimes, such as monarchy (6.71%) and multi-party (5.44%), but higher than those of military regimes (3.51%). As shown in Figure 1.7, despite relatively low health expenditure as a share of GDP (meaning that generally fewer resources are allocated to health services), China's public health expenditure (including social health insurance expenditure and other government health spending) as a share of total government expenditure is 10.06%—higher than the average of one-party authoritarian countries (9.26%) and of the other types of autocracies such as multi-party (9.56%) and military (7.43%). Among all types of autocracies, only monarchy and no-party regimes on average devote more of total government spending to health services than China does. A conclusion that can be drawn from this comparison between China and the other mid-income countries, especially autocracies, in the 2000s, is that despite limited resources, the Chinese authoritarian regime has attached a relatively high priority to providing health care compared to its counterparts with similar political regime types on average.

The Chinese case offers several advantages for studying the distributive politics and policies in an authoritarian setting. First, China is one of the largest and most enduring authoritarian regimes in the world. The regime has proved to be notably resilient despite domestic political turmoil (e.g., the 1989 Tiananmen Square incident) in the past decades and the global collapse of many autocracies during the "third wave" of democratization and the "Arab Spring." The longevity of the Chinese authoritarian regime gives us opportunities to examine the formation, evolution, and outcome of the regime's distributive strategy for social welfare development. Second, China's authoritarian system is decentralized, which provides a rare and ideal laboratory to explore how local incentives and

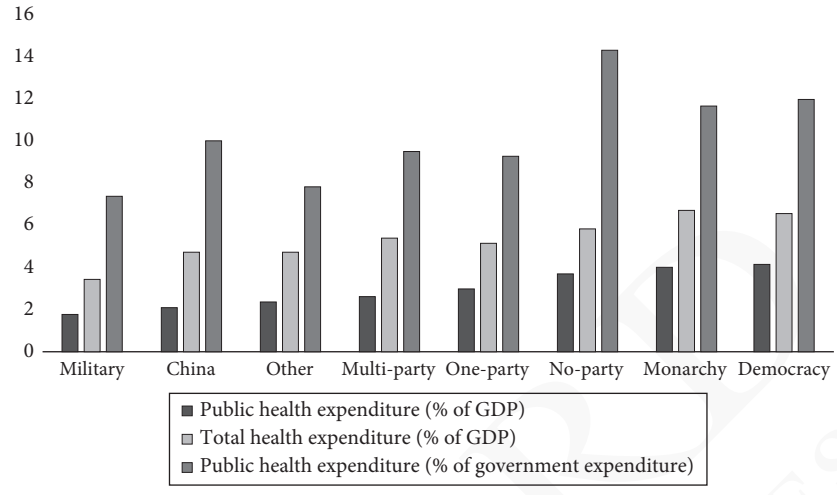

Figure 1.7 China's Health Expenditures in Comparison to Mid-Income Countries by Political Regime

Notes:

1. Data cover 106 middle-income countries (MICs) from 2000 to 2012. MICs are defined by the World Bank as having a per capita gross national income of US $1,026 to $12,475 (2011). Tuvalu and Nauru are excluded from the sample due to unavailability of data.

2. The first cut of regime types is democracy/autocracy, based on Freedom House and Polity scales; among autocracies, regime types are specified as monarchy, military, one-party, multi-party, no-party, and other (that does not fit under any other regime type). China belongs to the one-party (autocracy) regime.

Data sources: Health expenditure data from World Development Indicators Dataset (World Bank); regime categorization data from Authoritarian Regimes Dataset (Hadenius and Teorell, 2007; Wahman et al. 2013).

central-local interactions shape policy implementation in the authoritarian, multilevel governance setting. Third, China offers considerable heterogeneity across space, time, and social strata. The Chinese social health insurance system has experienced dramatic expansion and reform in the past decades since 1998. The wide variations in social welfare provision across regions and social strata in China allow us to test the implications of the theory in a context with relatively large sample for study while controlling for historical and institutional factors.

To explain China's stratified expansion of social welfare provision, I argue that the Chinese authoritarian leaders aim to ensure regime survival and stability by establishing and maintaining a particularly privileged welfare provision for the elites—government and party officials, civil servants, and formal employees of the public sector and SOEs—while providing essentially modest social welfare for the other social groups. Specifically, under China's politically centralized and fiscally decentralized system, the central leaders, on the one hand, establish and

control a highly stratified social welfare system to "divide and rule" society, privileging certain groups over others; on the other hand, the central leaders seek to accommodate diverse and broad social needs by delegating discretionary power to local leaders in expanding the coverage and generosity of social welfare programs. Given the Center's strategy, Chinese local leaders have both mandate and discretion in social welfare expansion. They aim to meet the Center's expectations of social welfare expansion in order to advance their political careers. Since social instability is an veto point in China's official evaluation and promotion qualification, local leaders try to provide welfare benefits in ways that can address the salient social needs in their jurisdictions to prevent social unrest. However, local leaders must work within the context of local constraints and resources. In some circumstances, they make policy choices that diverge from the distributive strategy most preferred by the Center. The dynamics of central-local interactions, including control and evasion of control, is at the core of the politics of social welfare expansion in China.

In China's decentralized multilevel governance system, local fiscal resources (or constraints) and social risks are two prominent factors that shape local leaders' policy choices for social health insurance expansion. The local political economy, especially the variations in local fiscal resources and social risks, accounts for a considerable part of the subnational variations in China's social health insurance expansion. All other things being equal, regions with higher social risks tend to cover more people in their social health insurance to obtain large risk pooling, while regions with more fiscal resources tend to provide more generous health insurance benefits. The distinct models of social health insurance expansion chosen by local leaders according to the local political economy result in different distributive patterns of social health insurance in subnational China.

Specifically, high social risks without adequate fiscal resources at the local governments' disposal motivate local leaders to focus their expansion efforts on enlarging the risk pooling of social health insurance, resulting in a strict yet inclusive model of health insurance expansion (i.e., giving meager benefits to more people); on the contrary, abundant fiscal revenues (whether locally sourced revenues or fiscal transfers from the central government) combined with low social risks incentivize local leaders to enhance the benefits of social health insurance exclusively, leading to a generous yet exclusive model of health insurance expansion (i.e., giving certain people more benefits). In contrast, a combination of both high fiscal revenues and social risks gives rise to a generous and inclusive expansion of social health insurance (i.e., giving generous benefits to more people), while a combination of both low fiscal revenues and social risks is conducive to a strict and exclusive expansion (i.e., only giving certain people meager benefits) which is basically to maintain the status quo of social health insurance characterized by low coverage and generosity.

These arguments generate two sets of observable implications under China's authoritarianism. The first set concerns the distributive behaviors of political actors (i.e., central and local leaders); the second set pertains to the distributive characteristics of social health insurance. Specifically, the central leaders intentionally control and maintain a uniform and persistent pattern of stratification in social health insurance while promoting an expansion of social health insurance coverage and generosity at the local level; local leaders' policy choices in the implementation of the stratified social health insurance expansion vary remarkably with the local political economy. As for the distribution of social health insurance benefits, the expansion of social health insurance is constantly biased in favor of the elite groups, though it has modestly extended benefits to the masses; moreover, coverage and generosity of social health insurance systematically correlate with conditions of the local political economy such as local fiscal resources and social risks.

1.4. Research Design

To test the observable implications of my argument about China's stratified expansion of social welfare provision, I employed a multi-method approach that combines quantitative analysis and qualitative studies. While the quantitative analysis examined the distributive characteristics and outcomes of Chinese social health insurance expansion, the qualitative studies revealed the distributive process and policies of governments at various levels in the expansion. Table 1.1 summarizes the observable implications about the stratified expansion of social health insurance in China and the empirical tests of these implications. Details about the qualitative and quantitative data used in the empirical analysis are provided in the appendixes.

First, I made use of archival and primary documents to probe and uncover the policy deliberation and political calculation at the central level about allocation and expansion of health care benefits during the late 1990s and the first decade of the 2000s. Relying on these primary documents in Chinese, such as central government directives, central leaders' speeches, and central work conference and ministerial meeting memos regarding social health insurance, I found that the Center tries to maintain the stratification of social health insurance via fiscal transfers to local governments in addition to social legislation and centralized personnel control. To further test this finding, I collected and analyzed data on the central-to-local fiscal transfers from 1999 to 2010, finding evidence indicating that the Center has allocated more fiscal transfers to the provinces with more elite groups (e.g., civil servants, public-sector employees, SOE formal workers) to maintain these groups' welfare privileges.

Table 1.1 Observable Implications and Empirical Tests

Observable Implications	Empirical Tests
1a. The Center intentionally embeds and maintains stratification of social health insurance benefits during social health insurance expansion.	• Close reading of primary documents such as the central government's directives, the central leaders' speeches, and central work conference and ministerial meeting memos regarding social health insurance expansion • Statistical analysis of the central-to-local fiscal transfers during social health insurance expansion
1b. Local implementation of the stratified social health insurance expansion differs remarkably across provinces.	• Descriptive and cluster analyses of government statistics on local social health insurance • Evidence drawn from interviews with national and local social insurance administrations, health care providers, and health insurance beneficiaries
2a. Coverage and generosity of social health insurance systematically correlate with local socioeconomic conditions.	• Analysis of provincial panel data on social health insurance and local socioeconomic conditions • Case studies of social health insurance reforms in different localities based on interviews with local officials and stakeholders of social insurance
2b. The dramatic expansion of social health insurance is constantly biased in favor of the elites, though benefits have generally been extended to the masses.	• Analysis of government statistics on social health insurance benefits across social groups over time • Analysis of individual-level survey data on social health insurance participation and benefits over time

Second, I carried out 68 in-depth interviews with government officials in 16 Chinese provinces between 2009 and 2013; most of these officials are from the social insurance bureau at various levels of government (i.e., national, provincial, prefectural, county, and township levels) in charge of policy specification and implementation for social health insurance. These interviews gave me knowledge of social health insurance administration and reform in the respective localities. More important, in these interviews I gained in-depth understanding of the regional variation in social health insurance and the causes of the variation in local leaders' policy choices for social health insurance expansion. My field interviews with other stakeholders of social health insurance, including beneficiaries, hospital directors, medical professionals, pharmaceutical companies, public health

experts, labor nongovernmental organizations (NGOs), and enterprises of different ownerships, complement the official interviews by identifying different perspectives and sources of information to assess the distributive pattern and the underlying politics of Chinese social health insurance expansion.

Third, I conducted a detailed subnational comparative study on Chinese social health insurance. This study has three components. First, I characterized the local models of social health insurance expansion through a cluster analysis using government statistics on social health insurance expenditure and population coverage, and the socioeconomic conditions of provincial units in mainland China (including four provincial municipalities) from 1999 to 2010. The results suggest that there are four significantly different models of social health insurance expansion among Chinese provinces. Some provinces tend to expand both the coverage and generosity of social health insurance, providing generous benefits to more people, while other provinces expand coverage or generosity only, giving more people meager benefits or giving certain people generous benefits; a few other provinces have maintained low levels of generosity and coverage throughout the course of social welfare expansion. The 31 Chinese provincial units can thus be classified into four clusters with distinct political economies. Then, I demonstrated with detailed subnational comparative case studies the different dynamics of central-local interactions in the four clusters of Chinese provinces. The case studies drawn from my field interviews reconstructed local considerations and policy choices, and identified the conditions under which local leaders may (or may not) develop policy preferences different from the central leaders' regarding social health insurance expansion. Last, I used the provincial-level dataset to systematically examine the correlations between the local political economy and subnational variations of social health insurance.

Finally, I used rich quantitative data at the individual level, including the China General Social Survey (CGSS) and the China Health and Nutrition Survey (CHNS), to examine the distributive patterns of social health insurance benefits both across social strata and across regions in China during the first decade of the 2000s. Unlike some existing studies of social welfare that rely on aggregated government social spending, I developed and adopted multidimensional conceptualizations and measurement of social welfare distribution that better reveal the trade-off facing authoritarian politicians in distributing benefits and the combination of policy choices they accordingly make in different dimensions.

1.5. Alternative Explanations

The political economy literature offers a variety of explanations for redistribution in general and social welfare expansion specifically. Three paradigms or

approaches stand out as possible alternative explanations of Chinese social welfare expansion: economic, social, and leader or agent-centered approaches.

The economic paradigm posits that economic changes such as industrialization, modernization, and globalization give rise to the development of a welfare state (Cameron, 1978; Flora and Heidenheimer 1981; Rimlinger 1971; Rodrik 1998). In this perspective, a welfare state or expanded social welfare provision is a functionalist response to social problems resulting from economic transition or structural change, such as poverty, unemployment, and inequality. In advanced industrialized economies, generous social policies are also made to encourage investment in learning and adopting specific skills (Estevez-Abe, Iversen, and Soskice 2001). The economic paradigm emphasizes the economic origin and interest in explaining the momentum for social welfare development. The underlying assumption is that the welfare state is a state response to citizens who turn to the state for security and protection when being exposed to economic risk and market dislocation. This assumption might be less proper in non-democracies that usually lack direct accountability or electoral linkage between citizens and the government. Nonetheless, economic conditions certainly play a role, even in autocratic countries, in shaping the trends of a welfare state. The social welfare expansion accompanying remarkable economic growth in China in the first decade of the 2000s, as demonstrated in Chapter 3, is an affirmative example. However, the economic paradigm is less successful in explaining the distributive strategy and outcome of social welfare provision for it treats the welfare state as a reaction to economic changes. I argue that economic factors (e.g., GDP, trade openness) should be considered as factors that condition social welfare expansion but not necessarily predetermine it.

Another possible explanation of social welfare expansion is from the social perspective that views the welfare state as a reaction to class struggle or distributive conflicts among social groups (Esping-Andersen 1985; Korpi 1983; Meltzer and Richard 1981; Stephens 1979). According to this perspective, the power of social movements, labor or left-wing parties, and trade unions predicts social welfare expansion. The social perspective is good at predicting the dynamics of social policies: generous social policies are likely to emerge when the left-wing political forces gain the upper hand. Nonetheless, the limitation of this perspective is noticeable in explaining the social welfare expansion in non-democracies where social movements and civil society are often repressed, if existing at all. As discussed earlier in this chapter, a generous welfare state is not exclusive to democracies and certainly not every democracy is a generous welfare state. The explanatory power of the social perspective is also limited in accounting for the nuanced differences of social policies across countries or subnational regions with the same regime type and political partisanship.

Recent studies about "consultative authoritarianism" (He and Thøgersen 2010; Truex 2017) and "government responsiveness" (Meng et al. 2017; Chen et al. 2016; Truex 2016) in China suggest that there seems to be some room for policy entrepreneurs, activists, and even ordinary citizens to participate in government policymaking. Some researchers (Duckett 2018; Huang 2015) have found a significant role played by international organizations and ideas that account for the timing and content of NRCMS policies. These findings jointly portray a counterintuitive picture of policymaking in China that was commonly believed to be closed, non-transparent, and autocratic. However, these findings should not be overinterpreted or misunderstood to suggest that societal forces, whether civil society groups or individual actors, have become dominant in policymaking in China. On the contrary, both "consultative authoritarianism" and "government responsiveness" are mostly conditional on the proactive and strategic soliciting of social feedback or experiment-based policy initiatives by the Chinese authoritarian regime (Heilmann 2008; He and Thøgersen 2010). Based on my research including over 100 field interviews with government officials, social insurance administrators, and stakeholders of social health insurance in China, I found that the making and planning of Chinese social health insurance policy in the 2000s was undoubtedly dominated by the state.

The third possible explanation of social welfare expansion puts the emphasis on individual leaders, their values, visions, power, and inter-personal relations. The initiation and adoption of social insurance are often traced back to pioneering leaders such as Bismarck in Germany, von Taaffe in Austria, and Napoleon III in France (Esping-Andersen 1990; Beck 1997; Rimlinger 1971). The leader-centered explanation can also be found in studies of economic, financial, fiscal, and social policies in China (Li, 2005; Guo, 2009; Shih, 2007; Zhu & Zhang, 2016). A prominent example of the leader-centered paradigm or perspective is the factional explanation of policy shifts in China's reform era (Shih 2004, 2007). The main strength of this paradigm is its ability to account for policy dynamics in the authoritarian setting—short-term or dramatic policy turns. Nonetheless, it works less well to explain the long-term trends of social welfare provision, such as policy continuity. The overview of social welfare development in contemporary China, provided in Chapter 3, shows that the stratification of social welfare provision biased in favor of elites has been quite persistent. The social welfare expansion in China during the first decade of the 2000s, which this book focuses on, was initiated under the Jiang Zemin administration in the late 1990s and extensively implemented under the Hu Jintao administration from 2003 to 2012. There was no sign of significant change in the stratified social welfare expansion when Xi Jinping, the new general party secretary, officially took power in 2013. The persistence of stratified social welfare in China is puzzling given the distinct ruling priorities and ideological claims of the different leaders throughout the 2000s.[9]

An extension of the leader-centered perspective is the agent-centered approach that adopts a more fluid conception of "leaders," focusing on bureaucratic actors and institutional arrangements (e.g., systems of rank, functional divisions of authority, and decentralization). Bureaucratic actors are also found to play a large role in making and implementing social welfare policies in Latin American countries (Niedzwiecki 2018), Russia, and Eastern European countries (Cook 2007). A prominent example of the agent-centered approach in the Chinese context is the "fragmented authoritarianism" paradigm in which policy outcomes are considered to be strongly influenced by bargaining among competing bureaucratic agencies (Liberthal and Oksenberg, 1988; Mertha, 2009). According to this paradigm, policymaking in China is influenced by interests of the implementing agencies, such as central ministries and provincial governments charged with enforcing the policy. The fragmented authoritarianism paradigm certainly helps to explain the policy process of Chinese social welfare provision. As shown in Chapter 3, given the fragmented and decentralized institutional arrangements of policymaking and implementation for social health insurance in China, the competition among bureaucratic agencies with similar ranks (e.g., Ministry of Health, Ministry of Human Resources and Social Security) is inevitable; consequently the policy for social health insurance expansion is usually incremental and the process is protracted. But fragmented authoritarianism cannot explain the distributive profile and outcome of Chinese social welfare provision properly, especially at the subnational level.

The explanation of Chinese social welfare expansion this book provides incorporates both the economic paradigm and the agent-centered perspective to construct a more comprehensive framework that takes into account the diverse local political economy and the decentralized multilevel governance setting in China. As such, this book complements these approaches by explaining not only the trend of Chinese social welfare expansion but also its distributive patterns and subnational variation. Moreover, as discussed in Section 1.2, the theory of stratified social welfare expansion developed in this book emphasizes the authoritarian leaders' distributive trade-off to explain the political constraints that influence social welfare expansion in China. This constitutes a stark contrast to the social or class-struggle perspective that emphasizes the power of social movements, labor or left-wing parties, and trade unions in explaining social welfare expansion in other countries.

1.6. Plan of the Book

To preview the chapters, Chapter 2 presents the theory of this book that explains the political logic and distributive characteristics of social welfare provision in

the Chinese authoritarian setting. The theory takes into account the logic of authoritarian regime survival, multilevel governance, and local political economy, and specifies the main political actors and their interests and strategies in Chinese social welfare provision. I argue that authoritarian leaders, whose basic interest lies in regime survival and stability, use stratifying and expansive social welfare policies to privilege elites and placate the masses. To explain social welfare expansion in the Chinese authoritarian yet decentralized setting, it is necessary to disaggregate the authoritarian state and to examine divergences in policy preferences among different levels of the authoritarian state and the factors that shape the dynamics of interaction among them, ultimately with an eye toward the impact of these divergences and interactions on policy implementation and outcomes. This argument generates some predictions about the distributive behaviors of political leaders and the distributive characteristics of social welfare provision in the Chinese authoritarian and multilevel governance setting. I also propose a set of local political economy conditions, including local fiscal resources and social risks, which predict the likelihood of divergence between central and local leaders in policy preferences and choices for social welfare expansion in China.

Chapter 3 draws from secondary literature to review the history and evolution of social health insurance in contemporary China (since 1949), providing the historical background and the economic context of China's social health insurance expansion in the 2000s. I show that throughout the history of contemporary China, social welfare was never considered a basic social right for citizens. Despite dramatic changes in the coverage and generosity of social health insurance across different developmental periods in China, the stratification pattern of Chinese social health insurance was persistent and reinforced during the social health insurance expansion between 1999 and 2011.[10] Moreover, the economic transition and the diversification of regional economies in China constitute the economic context where the Chinese central and local leaders' motivations for and differential responses to social health insurance expansion take shape.

Chapter 4 focuses on the Chinese central leaders (the Center) and their distributive strategy and behaviors in social welfare provision. The deliberations and calculations reflected in the central leaders' speeches between 1998 and 2011 show that the stratified expansion of Chinese social welfare was the Center's most preferred model for social welfare provision in this period. Both central leaders and ministerial technocrats, in various internal speeches and communication, revealed their hidden concern and the measures they took to maintain the elites' welfare privileges and benefits during the welfare expansion. Careful reading of the primary materials also suggests that the Center's fiscal transfers to local governments were an important means of maintaining the welfare privileges of elite groups (e.g., civil servants, public-sector, and formal employees

of state-owned enterprises). This chapter later analyzes the central-to-local fiscal transfers from 1999 to 2010 and shows that the larger the elite groups in a province, the more fiscal transfers the province received from the Center.

Chapter 5 focuses on the local leaders' distributive motivations and policy choices in social welfare provision. The combination of political centralization and fiscal decentralization compels Chinese local leaders to specify major policies in local circumstances while balancing the Center's various mandates and directives with local resources and constraints. Drawn from the qualitative evidence collected from my fieldwork in China between 2009 and 2012, this chapter not only demonstrates the regional variation in local policy responses to the Center's directive for stratified expansion of social health insurance, but also provides examples of the local calculations and policy choices in implementing the health insurance expansion. The causes for the differences in local policy choices for social health insurance expansion are a result not only of the regional disparities in socioeconomic conditions and resources, but also the contradiction embedded in the Chinese authoritarian regime's distributive strategy: expanding basic benefits to the masses while maintaining the welfare privilege for the elites.

Chapter 6 investigates the coverage and generosity dimensions of Chinese social health insurance in the first decade of the 2000s, with a focus on the regional (i.e., cross-provincial) variation using a cross-sectional time-series research design. First, the cluster analysis provides supportive evidence for the existence of four models or types of social health insurance expansion in China: (1) the risk-pooling model (i.e., giving meager benefits to more people); (2) the privileging model (i.e., giving certain groups more benefits); (3) the dual model (i.e., giving generous benefits to more people); and (4) the status-quo model (i.e., giving only meager benefits to only certain groups). The clustering of Chinese provinces in social health insurance expansion also corresponds to the differences in local political economies. Second, the chapter makes detailed inter-regional comparisons and intra-regional studies to reconstruct the mechanism linking a local political economy to the local distributive patterns of health insurance benefits, that is, local socioeconomic conditions shape local leaders' policy preferences and choices for allocating social health insurance benefits in their jurisdictions. Finally, the regression analysis demonstrates significant statistical correlations between local social risks and expansion of social health insurance coverage, and between local fiscal resources and expansion of social health insurance generosity. The three empirical analyses combined provide a political economic explanation of the subnational variations in the expansion of Chinese social health insurance.

Chapter 7 examines the stratification dimension of Chinese social health insurance in the first decade of the 2000s. Based on the analyses of national social survey data, it examines the variation of social welfare benefits across social

strata, addressing who got what benefits, when, and how as a result of China's social health insurance expansion between the years of 2003 and 2011. It shows that social health insurance expansion did significantly broaden Chinese citizens' access to basic health care. However, the expansion, which entails health insurance fragmentation and increasing benefit disparities, not only reinforced existing social cleavages such as the urban-rural divide, but also generated new divisions within both urban and rural groups. After expansion, Chinese social health insurance was highly stratified across three cleavage lines: (1) urban versus rural; (2) labor market insiders versus outsiders; and (3) public versus private sectors. These social cleavages are interwoven in such a way as to fragment society and privilege elite groups over others without fracturing society along a single and deep class line.

Chapter 8 summarizes the main findings and contributions of the book. After a speculative note on the prospect of health reform in China after 2012 when the new leader, Xi Jinping, took power, this chapter discusses the implications of this study for both Chinese social welfare development and its authoritarianism. Finally, the book concludes with a deliberation of the conditions for applying the argument about stratified expansion of social welfare provision beyond China.