



# Interest Gaming Analysis of Public Property Policy—Selecting the Property Interest Groups of Chongqing for Case Study

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## Abstract

Public policy is a form of confirming interests of certain groups. In recent years, Chinese cities have seen housing prices soaring, and to curb the rising prices, the government has introduced corresponding policies which turns out to be failed in producing any positive impact on China's real estate market. And the root cause to this phenomenon is the gaming result of different interest groups. This essay takes Chongqing real estate interest group as an example, to make an analysis of public policy, more specifically, the interest gaming during the process of formulating policy for real estate.

**Key words:** Public policy; Interest group; Game; Real estate; Central government

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## INTRODUCTION

Public policy is not only a confirmation form of certain group's interests, but also can be used as adjustment tools and distribution plans. Policies have reflected the gaming between various interest groups. Throughout the process of public policy which include problem structuring, plan formulation, policy and effect evaluation, interest conflicts have always exist. And in regard to the analysis methodologies of public policy, no matter by means of

analyzing the fact, value, normalization or the feasibility, all of them are inseparable to the interests game analysis which is an integral part of policy analysis methods.

From the perspective of practice of China's reform and opening up, the interest conflicts generated from the planned economy system continue on the one side, on the other side, people's awareness of interest is growing along with the deepening of reform, and thus forming the diversity of social interest groups and leading to the disparity and conflicts for the newborn interests. Through the process of revolving these conflicts, public policy is produced and plays its proper function constantly.

## 1. THE DEFINITION OF PUBLIC POLICY

Though opinions about the specific meaning of public policy vary constantly, some common characteristics can be drawn from these definitions.

### 1.1 The Basic Properties of Public Policy

The wording "public" here firstly refers to public right—both Sang Yucheng and Liu Binming hold that public policy is pointless unless it is made for public rights. The American scholar James Anderson has classified the policy makers into two categories: official and unofficial, official ones are those who are legal and authoritative; and the rest are individual citizens, political parties and interest groups, etc. Only the former can be regarded as the major formulators of public policy. Except the meaning of public right, it also means public interest, as Ning Sao has suggested, the public policy is a plan made by public authorities to solve public problems and reach public goals, finally achieving common interest through a political process.

Chen Qingyun has identified the public policy as a series of conducts code established during the whole process including choosing, integrating, distributing and implementing the public policies which are formulated by the government based on the goals of a given period.

## 1.2 The Government is the Main Public Policy Formulator

As the American scholar Thomas Dey has indicated: any decisions made public policies. and the Taiwan scholar Zhu Zhihong believes that public policy is made by so-called “authorities” of political system, that is the government of the mainland scholars, Li Chengzhi defines public policies as follows: in the study of policy science, some policies made by governments are separated for research and thus forming the concept of public policy, and it is a principal aspect of policy and made by government authorities and officials.

## 1.3 Public Policy is Complicated But Systematic Process

Woodrow Wilson believes that public policy is a set of laws and regulations formulated by the politicians who have legislative power, performed by administrative personnel, and all the activities involved in the public policies can be summarized as formulation and performing. British scholar Richard Ross also pointed out in his book *British policy* that public policy should be regarded as a long process composed of relevant activities as well as their influences rather than as an isolated decision. Chinese scholar Sun Guang also stated in *policy science*, that policy is a set of conducts code established by governments and political parties to achieve certain primary objectives, it is a complex process of allocating and adjusting the public interests.

## 1.4 Public Policy Consists of Competition and Choice

Some foreign scholars have argued that public policy is the product of reconciliation between different groups who are competing with each other for their own benefit, and it is a balance achieved after the group competition in a given period, reflecting the characteristics of gaming. For example, the American scholar Daniel W. Bromley has suggested that public policy embodies an institutional arrangement made both individually and collectively in essence, which is widely recognized among Chinese scholars, and they renew the definition of public policy as institutional arrangements made by public institutions like governments in a given period in order to achieve a particular goal, through a comparison of policy cost and the effect.

## 1.5 Public Policy Emphasizes the Value Distribution

Harold Lasswell and Abraham Paplan give the definition of public policy as large-scale project which contains the target, value and strategy, in which value is explicitly stated as one of the main elements of public policy.

David Easton thinks public policy is an authoritative distribution of social value, more specifically, the essence of a policy is to endow certain groups with the rights while others not. In other words, a policy is consisted

of a series of decisions and actions in allocating value. While the value mentioned in the above definitions have been replaced by the word interest by Chinese scholars: for example, public policy refers to political actions performed by government to solve certain social problems and adjust interest relationships, which is closely related to strategies, laws, measures, provisions and so on, or public policy is presented in the form of planning results, pointing to a specific status of interest relationship with an universal significance to the members of the collective.

From above analysis, it can be seen that different scholars define the public policy from different angles thus coming out various definitions. In regard to this study, by integrating the common characteristics of public policy into the research perspective, a definition of public policy is given in accordance with the logical meaning of this paper: dynamically, public policy is a systematic process aiming at choosing and allocating public interest; statically, it consists of political actions or conduct codes performed by the government during the process of choosing and distributing public interest, and during which, strategies, laws, measures and regulations are involved.

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## 2. INTEREST-RELATED SUBJECTS INVOLVED IN THE FORMULATION OF PUBLIC POLICY

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### 2.1 Makers

Public policy is mainly formulated by some social public authority organizations like the government. As a public policy maker, government is the interest representative of various parties including the whole society, political parties and the interests of themselves. Fundamentally, the government, no matter as the representative of the public interest or on behalf of its own interests, policy is has made is completely aimed at the maximization of self-interest, and it plays a leading role in the process of policy making based on its powerful forces.

### 2.2 Practitioners

Performers are those who put the policy into practice. During the process of policy implementation, the performers will purposely employ relevant strategies like bargaining, trade and adjustment to realize the maximization of their interest based on the practical situation. Therefore, the performers' interest is not necessarily consistent with policy makers, sometimes even violate the purpose of the policy makers.

### 2.3 Perform Object

The target object of policy, plenty complicated objects are involved in public policy. Different policies are targeted at different interest groups, and whenever a policy is introduced, every group tries their best to be the largest beneficiary.

### 3. REAL ESTATE POLICY AND INTERESTS OF GAME ANALYSIS

#### 3.1 Case Description

Since the beginning of June in 2007 when Chongqing and Chengdu were approved to set up the nation to plan the city and countryside synthesis coordinated reforms pilot area, the housing price in Chongqing is soaring: from June 17 to June 25 of 2007, the price had increased by 7.6% in only 9 days, ranging from 200 Yuan per square meter to 800 Yuan.

Under the condition of market economy, it is normal that commodity price fluctuates in line with the change of supply and demand. However, But the abnormal housing price jumping occurred in Chongqing is an alarming phenomenon which requires more attention to the root cause, that is, some property developers bid up property prices through hyping the effect of special district and creating false needs, which leads to distortion of the important strategy into the drive for rising house prices.

Recently, different interest groups have been competing against each other fiercely in the field of macroeconomic control on the real estate market, in which, proper developers is the most powerful one. Driven by the common interests, developers, local officials, experts and together with the local media have formed a special interest alliance: housing developers as the core to make maximum profit; for the real estate industry, local officials as contributors to improve GDP and political achievements; academic elite as guide to influence public expectations government's decision-making, thereby acquiring benefit from developers; Media special as opinion makers for developers to obtain revenue from advertising.

This kind of interests groups do not only have strong ability to protect themselves, but also adept in misinterpreting the national macroeconomic regulation by distorting the national policy for their advantage. In June 16, 2007, as it was released that Chongqing was approved to be a pilot zone, numerous property journals published articles about the growing tendency of the housing price in Chongqing, and even released the news that it was normal that the housing price in Chongqing would increase by another 10%. Such media bombardment continuously strengthened people's idea that the increasing tendency of house price is totally inevitable and normal.

By riding the momentum of opinion making, some property developers began to rise housing prices and created the illusion that house are in short supply, making the buyers irrationally purchase house and thus pushing prices to a higher place. Those property developers have bid up property prices by taking advantage of pilot area of balancing urban and rural development, which has seriously misinterpreted the national policy, and damaged the seriousness and credibility of the national policy as

well. The pilot area is set up to speed up the change of urban and rural dual structure, and it also an exploration of development model for the central and western regions, rather than a special district. The real estate interest group's deliberate hype of special district is targeted at pushing house price and seeking excessive profits.

#### 3.2 Exploring the Relationship Between Different Interest Subjects

It can be seen that the three parties—the central government, local governments and property developers will be constantly gaming in the process of policy making for their own interests. The central government is on the behalf of the whole social interest and makes public policy for the promotion of social welfare, and it has the supreme power and authority. The public policy formulated by the central government will then be transmitted to local governments for implementation, and under the control of the central government, the local governments have to accept and perform the policy. At the same time, in order to obtain higher achievements, the local governments are bound to give the priority to economic development.

With the growth and expansion of real estate industry, its status in the local economy has been seen gradual rise, and driven by both economic and political interest, the local government would selectively inform the property developers with the issued policy to obtain policy protection from the local government, the property developers will try their best to reach a consensus with the local government to combat the policy of central government, thus forming the alliance that is common to see.

#### 3.3 The Interest Gaming Analysis of Different Groups

##### 3.3.1 The Game Analysis of the Central Government and Property Developers

Before the detailed analysis, each interest subject has to be assumed as an independent economic entity which is aimed at maximizing their own interests, regardless of other interference factors.

Public policy making is the process of coordinating the interests of all parties. As local governments and property developers will form alliance, it can be assume that the central government will game with only one group and both sides want to maximize their interests. The central government may have two options during the game: one is the enforcement of public policy; another is the non-enforcement. Accordingly, local governments and property developers can take the countermeasures to accept or not to implement the policy made by the central government.

After Chongqing was approved as the pilot area, various investment has been poured into Chongqing, and concerning the economic development, the local government decided not to enforce the property policies introduced by the central government, which indicates



that it has formed alliances with the property developers, thus contributing to a rapid expansion of the real estate industry embodied in the uprising house prices.

While if the Chongqing government enforces public policy, it will inevitably lead to the dissolution of the alliance but effectively contribute to the execution of the central government's macroeconomic regulation and control. As a result, the public will be greatly benefited while the interest of property developers will be largely impaired, hindering the development of local economy to which the property developers can't make more contribution. In this case, the real estate developers will resort to covert actions, persuading local governments to form alliance again.

### 3.3.2 The Gaming Between Local Government and the Property Developers

In the real estate regulation and control, some local governments and departments try to resist the central government's policy openly or in secret. And the local government acts as a role of integrator throughout the game. As the most developed interest subject, the property developers has exerted its influence on government policy making and direction of other social groups. In order to acquire more economic interests and gain political security, real estate developers and local governments will form alliance to obtain mutual benefit. However, this alliance is quite weak and unstable. Although interest consistency makes local governments friendly to the developers at first place, when the game needs someone to sacrifice, local governments tend to be the betrayal of the alliance.

Under various external pressures, local governments are generally thought to be the first covenant and in collaboration with the central government to perform instructions of the central government. At the same time, in the case of asymmetric information, real estate developers also can speculate the unreliability of local government and come up with countermeasures to deal with local government's betrayal as early as possible to minimize their loss. And in the process of prices rising, local governments and property developers form their alliances with the local government creating all sorts of convenient conditions for real estate developers, against the central policy in covert ways, which makes the central government's housing policy failed in playing its due effect. It is suggested that, although the alliance of local government and real estate developers is weak and unstable, when not enforced by the central government to implement the public property policy, local governments would be trying to maintain the alliance to obtain economic and political interests.

## CONCLUSION

From the above analysis, it can be seen that the main cause to the soaring house price is the result of gaming between

property developers and the central government. And whether the property policies can play their efficient role in curbing the rising prices lies in stopping the alignment of the local government and real estate interests and strengthening policy executive power. But in the current complex economic condition, while under the complicated economic environment of today, to achieve this goal, the government and relevant experts need to work together to develop a set of strict rules and regulations for the real estate industry.

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