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Corporate Personhood:
The Implications for Business, People, and Society.

Georgia Holmes and Sue Burum
Minnesota State University, Mankato
In a headnote to the case of *Santa Clara County v. Southern Pacific Railroad*, J.C. Bancroft Davis, a Supreme Court reporter and former railroad president, noted:

Before argument Mr. Chief Justice Waite said: “The court does not wish to hear argument on the question whether the provision in the Fourteenth Amendment to the Constitution, which forbids a State to deny to any person within its jurisdiction the equal protection of the laws, applies to these corporations. We are all of opinion that it does.” (Jorezak, 2014).

“This statement raises an important question – are corporations just as much persons as natural people and should they enjoy all the protections and freedoms held by natural persons? ”This paper will examine the history of corporate personhood, which is far more nuanced than this incorrect headnote implies, from the days of Chief Justice John Marshall (1801-1835) to *Citizens United* (Citizens, 2010), *Hobby Lobby* (Burwell, 2014), and now to the potential implications from *Obergefell v. Hodges* (Obergefell, 2015). The paper will also examine the reasons corporations might want these rights and other rights that could be contained in corporate personhood. Finally, this paper will consider the potential implications to corporations, society, and people if corporate personhood is allowed to continue and expand. These writers question if a corporation should have all the rights of a natural person. These writers will also suggest that, if corporations are given all rights of a natural person, they should lose some protections from being incorporated. If corporations can enjoy the rights of natural people, they should be subject to the same civil and criminal liabilities in the exercise of those rights.

**Development of Corporate Personhood**

In early colonial times and after the revolution, original corporate charters were given by the crown or state. Therefore, the crown or state was in control of the corporation. Corporations were considered artificial beings created to advance public interests. They were legal constructs to facilitate commerce and make it possible for corporations to hold property, enter into contracts, and sue and be sued. In England and in colonial America, corporations were extensions of the government. They were a type of delegated jurisdiction under the King and, later, the state’s exclusive prerogative (Guisado, 2015). One early British trading company was the East India Company, which functioned as an early version of a for-profit business with investors who shared in the profits. However, it also operated as a vehicle to extend the military and political power of the British government and to act as a bank that could lend money to the monarchy. To maintain control of the business, the monarchy granted exclusive charters for this and other corporations for only a specified time period, thereby ensuring the monarchy’s ability to renegotiate terms (Coates, 2015). This practice of issuing exclusive charters continued in early America and until the middle of the nineteenth century in the United States. Eventually, public opinion turned against the exclusivity and cronyism that resulted. The public was very anti-monopolistic and in favor of the regulation of business (Guisado, 2015). New York passed the
first general law of incorporation in 1811. The issuing of corporate charters became a ministerial governmental function. But government also began to regulate and control the life of the corporation through the charters (Coates, 2015). This began a period of hyper-regulation where states began to control all aspects of the life of the corporation (Guisado, 2015). An early case considering the rights of corporations was *Dartmouth College v. Woodward* (Dartmouth, 1819). In 1769, the British crown granted a charter to the trustees of the college. Later, the state of New Hampshire tried to force the college to become a public institution and placed the ability to appoint trustees in the hands of the state legislature. The U.S. Supreme Court cited the Constitution in concluding, “no State shall make any law impairing the obligation of contracts.” The charter was not dissolved by the revolution and the state could not take over the college. The Court stated, “A corporation is an artificial being, invisible, intangible, and existing only in contemplation of law. Being the mere creature of law, it possesses only those properties which the charter of its creation confers upon it” (Dartmouth, 1819). The Court did not say that corporations do not have constitutional rights. The Court, in fact, held that the corporation was entitled to protection under the Contracts Clause. This was the first time the Supreme Court recognized that corporations may exercise a right of a natural person.

During the nineteenth century, the territory of the United States, as well as its people and businesses, expanded. New Jersey began a push to deregulate by allowing corporations to purchase stock in other corporations. Other states began to follow New Jersey’s lead so as not to lose business to the other states. This began a shift in thinking from the idea that a corporation was an artificial entity belonging to the state to the idea that a corporation owed its existence to the people who formed it (Guisado, 2015). These individuals contracted with each other to organize and utilize a corporation for their mutual benefit. This began the aggregate theory of corporate personhood and started an anti-regulatory approach to corporate law. The rights and duties of corporations were the rights and duties of the people who composed it. The corporation was not a separate entity because the corporation could not exist without the individuals in it. Individuals created the corporation for their own benefit, not the benefit of the public.

This approach can be seen in the Supreme Court’s decision in *Santa Clara County v. Southern Pacific Railroad* (Santa Clara County, 1886). This 1886 case concerned the taxation of railroad properties. Multiple railroad corporations alleged that California’s state and local governments violated the Fourteenth Amendment’s Due Process and Equal Protection clauses by taxing railroad property differently from that of natural citizens. The Court’s decision never addressed corporate personhood or whether the protections of the Fourteenth Amendment should extend to corporations. The Court decided in favor of the railroads because the taxes were improperly levied under the California state constitution. Justice Harlan explained in the decision that there was no need to reach the Fourteenth Amendment claims. The inaccurate heading, which was not a part of any opinion in the case, became the precedent for the case. Was Mr. Davis, the writer of the headnote, mistaken or did he deliberately misinterpret the
decision? Chief Justice Waite fell ill and died before the opinion was published. Therefore, we may never know. Conspiracy-types blame Justice Stephen Johnson Field. He was a railroad attorney and the fifth Chief Justice of California before becoming a Justice on the Supreme Court in 1863. He advocated for corporate personhood throughout his career, and some believe he may have influenced Mr. Davis (Jorezak, 2014). Regardless, the case now stands for the idea that a corporation is a person for Fourteenth Amendment purposes and a corporation’s property cannot be taxed differently from that of a natural person. If this were the true holding in the case, it would be an example of the aggregate theory because the rights and duties of an incorporated association would be the same as the rights and duties of the people who were in the association, not the rights of an imaginary being.

In 1888, Justice Field wrote the Supreme Court opinion in *Pembina Consolidated Silver Mining Co. v. Commonwealth of Pennsylvania* (Pembina, 1888) in which a Colorado mining company tried to avoid Pennsylvania’s licensing and tax requirements on out-of-state corporations that did business in the state. While affirming Pennsylvania’s right to regulate out-of-state corporations, Justice Field wrote, “Under the [Fourteenth Amendment’s] designation of a person there is no doubt that a private corporation is included.” He went on to explain that the equal protection that corporations “may claim is only such that is accorded to similar associations within the jurisdiction of the State.” Nothing in the Constitution prohibited a state from “discriminating in the privileges it may grant to foreign corporations” (Pembina, 1888). Taken together, the opinion says in-state corporations should be taxed the same. Out-of-state corporations may be taxed more, but the tax must be the same for all of the out-of-state corporations. Thus, Equal Protection applies to corporations, but what is allowed depends upon which group the corporation belongs to.

The turn of the twentieth century produced another shift in thinking concerning corporations. Corporations increased in number and size. This led to the idea that corporations were conceptually and legally distinct from investors, managers, and others involved in the operation of the corporation. Corporations were no longer tied to the few investors who created them. The corporation itself was now an entity. It was neither an artificial entity nor a sum of its parts. It was a full-fledged, living, real entity that had its own personality. It had “a collective consciousness or collective will that results from discussions and compromises among the individual members, and may not reflect the particular preferences of any one person” (Guisado, 2015). The corporate entity should, then, have the same rights as people, given that corporations also had to answer for their own debts and torts. Corporate legal rights and responsibilities increased under this approach.

**Personal Rights Currently Possessed By Corporations**

Corporations have First Amendment speech and press rights. In 1936, in *Grosjean v. American Press Co* (Grosjean, 1936), the Supreme Court recognized Freedom of the Press rights for publishers, broadcasters, and advocacy organizations. The Huey Long administration in Louisiana levied a separate tax on newspapers with a circulation over 20,000. The tax was an attempt to tax
newspapers critical of the administration into silence. The unanimous Court held that corporations were persons and possessed Freedom of Press rights. In 1978, in *First National Bank of Boston v. Bellotti* (First, 1978), the Supreme Court held that corporations have a Freedom of Speech right to make contributions in ballot initiative campaigns. Massachusetts tried to bar several corporations, including the bank, from contributing in a ballot initiative as the state concluded that the corporations were trying to influence the election. The Court concluded that it was Massachusetts that was interfering with corporate speech rights. The First Amendment was designed to foster individual self-expression, but it also had a role to play in providing the public access to information and ideas. The free flow of information, even commercial information, to the public should not depend on the source of the information. Thus, both corporations and individual speakers have a role to play in public debate and discussion.

These two cases paved the way for the 2010 decision in *Citizens United v. Federal Election Commission* (Citizens, 2010). Central to the decision in this case is the issue of whether a corporation, by virtue of being an artificial entity rather than an organic one, was enough reason to be able to impede the speech rights guaranteed by the First Amendment. Relying on *First*, the Court rejected the argument that the political speech of corporations should be treated differently than natural persons. Justice Scalia commented, “The [First] Amendment is written in terms of 'speech,' not speakers. Its text offers no foothold for excluding any category of speaker, from the single individuals to partnerships of individuals, to unincorporated associations of individuals, to incorporated associations of individuals…” (Citizens, 2010). Thus, the majority looked more to the scope of the right, instead of who the speaker was.

Freedom of Association in the First Amendment is another constitutional right that businesses have already acquired. A private organization, under certain criteria, is allowed to exclude a person from membership. In the 2000 Supreme Court case of *Boy Scouts of America v. Dale* (Boy, 2000), a private organization was allowed to exclude a person from membership when “the presence of that person affects in a significant way the group’s ability to advocate public or private viewpoints.” Opposition to homosexuality was a part of the Boy Scouts’ message and having adult homosexual leaders, it was felt, would interfere with that message. While not a business or a corporation, Freedom of Association rights have been extended to associations. The Boy Scouts do now accept gay scouts and even gay leaders, if the leader is endorsed by the sponsoring troop. This change came from internal reflection in the organization; it was not forced upon the organization by a law or court case. Public pressure certainly weighed heavily in the internal decision.

Other rights found in the Bill of Rights have extended to corporations. While corporations do not have a right to privacy equivalent to that of an individual, the corporation is protected from unreasonable searches and seizures (Silvestri, 2015). Also, corporations do not have right against self-incrimination, but they do have Fifth Amendment rights against double jeopardy (Silvestri, 2015). The Sixth Amendment right to trial by jury and the right to counsel applies to corporations, but a corporation does not have the right to a public defender. Finally,
corporations also have Fourteenth Amendment rights, as illustrated in the history section of this paper.

Personal Rights That Could Be Held By Corporations

It has not been decided yet whether corporations have First Amendment Freedom of Religion Rights. For-profit corporations, at least closely held ones, have freedom of religion rights under the Religious Freedom Restoration Act of 1993 (Freedom, 1993). In the 2014 case of Burwell v. Hobby Lobby (Burwell, 2014), the Court held that Health and Human Services regulations that imposed a contraception mandate violated the Religious Freedom Restoration Act (RFRA). The Court did not find that corporations had Freedom of Religion rights under the First Amendment of the Constitution. The Court decided that the mandate substantially burdened the free exercise of religion under the RFRA. Corporations do not have to provide the contraceptive coverage if the corporation holds sincere religious objections to the mandate. The majority said, “A corporation is simply a form of organization used by human beings to achieve desired ends” (Burwell, 2014). An established body of laws specifies the rights and obligations of the people (including shareholders, officers, and employees) who are associated with a corporation in one way or another. When rights, whether constitutional or statutory, are extended to corporations, the purpose is to protect the rights of these people. This is more of an aggregate approach to corporate personhood. The aggregate approach could be used to give corporations Freedom of Religion rights under the First Amendment. However, this theory might not apply when a corporation is not closely held, meaning, the ownership of the company is mostly held by relatives and it is not publicly traded.

It is not clear whether corporations have Eighth Amendment rights against cruel and unusual punishment or excessive fines. It is also not certain whether corporations have Third Amendment rights against being forced to quarter soldiers (Silvestri, 2015). For example, a hotel could not be forced to room soldiers in time of emergency. Could corporations have Second Amendment rights? In the 2008 case of District of Columbia v. Heller (District, 2008) and the 2010 case of McDonald v. City of Chicago (McDonald, 2010), the Supreme Court affirmed the right of “natural persons” to keep and bear arms. The Justices focused on the personal right of self-defense and the right to have the ability to band together for self-defense. Corporations may well have the same needs to bare arms and band together for self-defense, although these writers believe this area will not have requests for litigation before requests for Freedom of Religion.

The Next Frontier In Corporate Personhood

Obergefell v. Hodges presents the same type of challenges to corporations that were encountered in Hobby Lobby. This case requires states, under the Fourteenth Amendment, to issue marriage licenses to same-sex couples as well as to recognize these marriages when they are validly performed out-of-state (Obergefell, 2015). The decision will have no effect on how most businesses operate. They will continue to hire gay people, supply their workers with benefits, and sell their products to all buyers. However, some business owners could find that providing services to gay couples for their marriages is tantamount to endorsing and accepting gay marriage, which is against their religion. The first
groups of business people to be affected are likely to be small businesses that do not want to participate in gay wedding ceremonies by providing things like wedding cakes, catering, or by taking photos at same sex weddings.

For many people, it may seem strange that businesses even can be challenged to have to provide services. However, there are many arguments that can be used to challenge the idea that services must be provided. These two writers are making these arguments as strongly as they can. First, the practice of religion—a fundamental right—is deeply tied into how some people express with whom they associate and what business practices they endorse. This was the argument used in *Hobby Lobby* to opt out of providing certain contraceptives. A private business’s decision not to provide services to same-sex couples does not directly affect the couple’s right to marry. They do not need those services by that particular company to marry. A marriage certificate is issued by the state and does not require cakes, catering, or photos. If really wanted, these services can be acquired elsewhere. Same-sex couples have found many businesses that will provide wedding cakes, food, and photographers. There is no real harm in a particular business denying these services. The same sex couple is just inconvenienced in that they have to acquire the nonessential services at a different place. For example, refusing to provide services for a same-sex wedding is not the same thing as refusing to provide services to someone because they are black. In Jim Crow days, services were not offered by any business. Anti-discrimination statutes do not always cover discrimination based on sexual orientation, and the business is not discriminating because the person is gay. Business owners are refusing to provide a service or product because the participation in the wedding is against their religion.

Second, there is no right to a wedding cake or a photographer. In a free economy, the exchange of money does not make it acceptable to force someone to work for one. Some could argue that individuals choose to engage in business. If they choose to run a business they must accept all government regulation of their business. This argument counters the very idea of civil liberties. The Lockean concept of natural rights does not come from the government. Freedom of Religion comes from God or nature. It is something people possess because they are human. The government cannot pass any law it chooses to control peoples’ free expression of religion. This argument can be compared to saying that if one chooses to speak then the person must accept all government regulations that accompany that speech, even if those regulations trample other fundamental rights. This perspective, the corporation will argue, is not acceptable as it interferes with the natural right to speak freely. Thus, small businesses and closely held corporations will certainly go to court to ask for religious exemptions to providing services. Putting people out of business for expressing their religious beliefs may be too high a price to pay compared to requiring the same-sex couple to seek the services elsewhere. Generating many of these cases could overburden the courts, but these cases may also result in finding a constitutional right to religion, thus expanding corporate personhood. If it is found that the right applies to corporations, then the Court will use strict scrutiny when a law interferes with Freedom of Religion. To survive the challenge, the government
that made the law will have to show a compelling need for the law and will have to draft the law in the least restrictive fashion. As the government bears the burden of proof in strict scrutiny cases, the government has a high probability of losing the case. These writers believe this area will now be the next for the potential expansion of corporate personhood—following the arguments raised in *Hobby Lobby*, the owners of corporations will use arguments like those presented here. These will be difficult cases because courts will be challenged to choose between fundamental constitutional rights when those fundamental rights clash.

Other types of problems will occur for churches and religious affiliated institutions. These organizations that receive benefits from the government could lose the benefits if they refuse to accept or participate in same-sex weddings. First, churches will not want to marry same-sex couples in their churches if it is contrary to the teachings of their religion. Pastors of these churches will not want to participate in these weddings. They may not want particular groups to use their facilities either. They may be happy to have a Boy Scout troop use the church for meetings, but they may not want a same-sex couple to have even a wedding reception at the church as they may believe they are then accepting the concept of same-sex marriage. Second, religious affiliated organizations such as those that provide adoption services may object for religious reasons to providing adoptions to same-sex couples. Instead, adoption organizations may prefer to place children with couples of the opposite sex. Given that they also receive government support for doing this type of work, they could encounter regulations that—if not followed—could result in a loss of funds or even curtail their ability to continue to provide adoption services. Third, religious colleges could face the loss of tax-exempt status as well as federal or state funding, accreditation, and student access to loans if they refuse to provide a married same-sex couple access to student family housing.

Fourth, while the Supreme Court has already decided that the Boy Scouts could exclude gay leaders, there will still be challenges in this area. The Boy Scouts left the decision regarding whether or not to accept gay leaders to each troop. Many churches sponsor troops as well as conservative non-religiously affiliated groups. These troops may not accept gay leaders despite the Boy Scouts' indication that they may do so if they wish. These writers expect potential gay leaders to challenge these sponsoring groups if they are denied acceptance as leaders. As the Supreme Court has already established that private groups could limit members, these cases will present the Court with the opportunity to not only affirm the prior holding that the private groups have Freedom of Association rights, but also extend Freedom of Religion rights to private associations or corporations. Arguments seeking Court intervention in favor of religious rights will involve the notion that these different situations are not really a barrier to the rights of same-sex couples to marry; weddings and receptions can be booked at other locations. There are other adoption services that allow same-sex couples to adopt children. Students can still attend religious colleges, but they might have to find housing off-campus. Finally, the writers believe that the question of whether Boy Scout troops and other groups can bar gay leaders
is a different issue than was decided in the Obergefell case, in which the focus was on the right of same-sex couples to marry. Again, these potential problems represent many potential cases that could provide opportunities for courts to give businesses First Amendment religious rights.

**Benefits and Problems from Corporate Personhood**

**Businesses**

Why do corporations want speech and religious rights, which are considered to be personal freedoms? Initially, the desire for Due Process and Equal Protection rights may have been mostly for economic reasons. A corporation would not want to be treated differently from a private person in business, lest the corporation find itself at a competitive disadvantage to the individual businessman. If regulations require a corporation do more or provide more than a private person in business, this extra regulation could result in added costs for the corporation that a private businessperson would not have. However, for some companies, the purpose for attaining Corporate Personhood may now involve the exertion of a more proactive influence on society. This may involve the ability to support candidates who share values with the owners of the corporations or simply the opportunity to be heard on social issues. If a corporation has more money to spend than a natural person, the corporation has a better chance of being heard. If the company was founded in part on religious principles, it may be the desire to exercise those beliefs through work. It is not enough for many religious people to simply be able to believe what they wish. Those beliefs may seem hollow if one is not allowed to practice those beliefs and share their experiences and successes through their work and actions. In the case of same-sex marriage and business, both small business owners and large corporations may desire to not serve same-sex couples with wedding services or supplies because they want to practice their religious beliefs concerning the sanctity of marriage.

Furthermore, corporations need to be careful for what they wish. The liabilities of corporations are not attributed to the owners (Morton, 2014). In the case of a small business, the owner of the photography shop can be personally sued for failing to agree to photograph a same-sex marriage. If the owner does not win on religious grounds, the owner’s damages are not limited solely to what is invested in the business. The owner could become bankrupt and lose many personal assets. If the photography studio is actually a corporation, then the corporation can be sued when it discriminates or it is negligent. On the other hand, the owners may personally be protected. Their liability may be limited to what they invested in the corporation. However, could this protection change if owners are able to assert their rights through their businesses? An owner is not liable for tort damages for corporate negligence because the owner is separate from the business. If an owner can assert rights through the business, then the corporation is not separate from the owner. If the corporation is not separate, then an owner should receive no liability protection. The legal theory of the owner’s place in the corporation needs to be consistent.

Could owners or investors be held criminally responsible for a corporation’s wrongdoing? Scholars are split on this issue (United, 2015). Bringing a civil case
is easier because one only need to establish simple negligence. When a company does something criminal, there needs to be a person in the corporation who did a criminal act with criminal intent. That person can then face criminal charges. It is harder to go after owners or shareholders of the corporation. A foundation of criminal law is that criminals have guilty minds; they choose to do wrong. Given that they choose to do wrong, they are blameworthy and can be punished (Baker & Haun, 2013). It is harder to make a case that an investor in the company shares the same criminal intent with the person in the corporation who chose to use the corporation to commit a crime. To demonstrate criminal intent, one must intentionally commit a crime or at least be found to be reckless. If the board hired a guilty person, despite some indication the person was of poor character, then the board would be reckless. If it was the board’s job to oversee this person’s work and the board refused to do so despite warnings of potential problems, then the members of the board could potentially have acted recklessly. Shy of this, it looks more of an accident on the board’s part and it becomes harder to attach criminal intent to people in a corporation who were not directly involved in the criminal activity.

**Same-Sex Couples and Individuals**

Despite the Court’s ruling, same-sex couples may feel that business people from religions who find same-sex marriage morally problematic are forcing the couples out of town or are trying to totally ignore them and put them back in the closet. Exercising corporate religious beliefs may make same-sex couples feel they have not achieved the right to marry. Same-sex couples do not just want a license—holding a marriage certificate alone is not really what these couples fought for. What is truly wanted is acceptance of the marriage. They truly desire to have their same-sex marriages treated exactly the same as all other marriages.

Is there any harm in sharing personal freedoms with a corporation? There may be harms to individuals. In the case of free speech, if a corporation can spend whatever amount it chooses to influence elections, the election process could become complicated. Politicians and the public may listen to a corporation that has a large pocketbook. However, an individual with different views and a much smaller pocketbook may encounter trouble being heard by anyone. This does not contribute to the goal of the First Amendment, which is to present as many views as possible to the electorate so voters can hear many different ideas, weigh those ideas, and vote based on what they believe to be the best solutions. Fewer ideas will be heard.

In the case of Freedom of Religion, people who work for companies, such as Hobby Lobby, that deny benefits to certain types of contraception to their workers may believe that they are having the owners’ religious views imposed on them. At a minimum, they may be inconvenienced in that they have to acquire the contraceptives elsewhere. At the maximum, they may believe they are not able to exercise their choices over their bodies. They may believe their rights to privacy in the area of birth control are being compromised because of someone else’s religious beliefs. In the same way, same-sex couples may feel discriminated against if a company can refuse to marry them, provide partner benefits or
adoption services, or make a cake for their wedding. There is also a feeling of a loss of respect when services are denied to a same-sex couple that other couples enjoy without difficulty or inconvenience. It may convey the sentiment that, while there is a marriage, it is a second-class marriage. It may convey that there is something strange about the people in the marriage, or that there is something wrong with the marriage. Also, it may be too easy for a business to get out of generally applicable laws simply by stating it violates the owner’s religious principles. Courts are not good at judging what beliefs are central to different religions or the sincerity of business owners’ religious beliefs.

Courts

The Supreme Court in particular, and all lower courts in general, will be very busy indeed. The problem is that courts will become endlessly entangled in issues of religious dogma. The hardest cases seem to be when two rights clash. The more expansive the courts become in finding rights for businesses, the more likely it will be that those new rights will clash with other rights held by natural persons. The law does not have as many tools to resolve conflicts when both sides have fundamental constitutional rights at stake. There will be a tendency to anger one side or the other. There will be attacks on the courts for being too activist and making policy from the bench. This does not mean courts should shy away from taking tough cases. Courts and society simply need to realize there is a potential cost to having policy changes made from the bench rather than from the legislature. The people have more control, in a more timely fashion, over legislatures and executives through elections. They cannot influence nine unelected people on a Supreme Court who hold their jobs for life. Courts that legislate from the bench may create feelings of a lack of legitimacy from the citizens, given that courts are not the legislative bodies.

Are There Any Solutions?

In the past, the courts lessened problems of corporate personhood, simply by recognizing the difference between for-profit and non-profit corporations. In the past, courts extended limited rights to non-profit groups, but the courts did not give for-profit groups extensive protections, given that they were less ideology driven and were mostly focused on maximizing profit. This distinction may not be appropriate for the future. Sharp lines are not always driven between for-profit corporations that are supposed to focus on maximizing their shareholders’ profits and non-profit corporations that are driven by factors such as the public good (Nelson, 2015). Ben & Jerry’s Homemade, Inc. provides a good example of problems that can arise from dividing companies into only two categories. In 1978, Ben Cohen and Jerry Greenfield co-founded an ice cream company in Vermont with a $12,000 investment. The company’s goals were to make the best ice cream, support progressive causes, and share the success with shareholders. The company grew, but the for-profit corporation did not place profits first. The company committed 7.5% of its profits to a charitable foundation. The foundation engaged in activities such as in-store voter registration, lessening the use of industrial chemicals in foods, using biodegradable containers, and buying ingredients from suppliers who employed disadvantaged people. The added focus on advancing progressive social goals lessened profits and angered
shareholders who were primarily interested in monetary returns on their investments. Unilever, a multinational conglomerate, acquired Ben & Jerry’s in 2000. This sale made other socially responsible companies nervous, especially when it was learned that the board forced the founders to sell their company to a giant, multinational company focused on making profits for shareholders (Dasari, Vargas, & Vargas, 2014).

For a decade, socially conscious businesses tried to change the laws that primarily focused on enforcing “shareholder value.” After failing to achieve success, Maryland passed the country’s first “Benefit Corporation” statute in 2010. A benefit corporation allows the corporation to focus on making profits while also being committed to the advancement of public good, which could lessen maximum profits. This type of corporation is growing. By the summer of 2014, benefit corporation statutes had been passed in 27 states, while another 14 legislatures considered such legislation (Desari et al. 2014). Additionally, it was estimated in 2012 that this type of corporation produced nearly 3.5 percent of the country’s GDP and employed more than ten million Americans (Desari et al. 2014). This new form of corporation blurs the line between for-profit and non-profit. This type of corporation will also allow the Supreme Court to extend corporate personhood rights more easily to businesses because they will see a business entity that has a natural person conscience. To give corporations personal rights, a court could argue that an entity with a conscience may be similar to a natural person and is therefore deserving of person-like protections. Thus, new models of corporations will not lessen the problems from corporate personhood, but allow the expansion of natural person rights to business organizations. Thus, these hybrid businesses will also be very attractive to owners who have religious beliefs and wish to run their businesses according to their beliefs. Sharp divisions between for-profit and non-profit corporations are simply no longer possible.

Will a change in the way corporations are characterized do anything to lessen potential problems stemming from calling a corporation a person? Corporations were initially considered artificial beings created by and under the control of the state. Later, corporations evolved into being considered an aggregate of the people who invested in it. A corporation had the rights and duties of the people who created it. A corporation was not separate because it could not exist without the investors in it. Finally, corporations were considered legally separate from investors. It was its own entity with its own personality. The aggregate approach allowed closely held businesses in Hobby Lobby to exercise religious rights under the Religious Freedom Restoration Act (Freedom, 1993). Considering a corporation a full-fledged individual entity could allow any corporation, not just benefit corporations or closely held corporations, to easily assume the rights of natural people both under the Religious Freedom Restoration Act and the Freedom of Religion clauses in the Constitution. The conception of a corporation that most separates it from natural people is the theory that considers a corporation an artificial person that is completely controlled by the state. It has only those rights the government gives it, and the government periodically reviews the corporate charter and can change its terms.
However, going back to the idea of corporations being simply creatures of the state will be difficult. When Congress passes a law, and the Supreme Court interprets it differently from Congress’ intent, Congress can simply rewrite the law to make the wording closer to what Congress originally intended. Congress wrote the Religious Freedom of Restoration Act. If Congress does not want courts to include corporations under the act, Congress can simply change its law and state that the word “people” in the act does not include corporations. Congress can then tell the Supreme Court that the law does not mean what the Court first thought it meant. This would stop the *Hobby Lobby* case from having precedential value in future cases. However, when the Supreme Court interprets the Constitution as the Court did in *Citizen’s United* when it concluded corporations have Freedom of Speech rights under the First Amendment of the Constitution, Congress cannot come back with simple legislation and change the Court’s interpretation. When the Supreme Court concludes that rights in the Constitution apply to people, and that corporations are people just like natural people, then the only way to change what the Court decided is through a constitutional amendment. The Supreme Court, not Congress, is the final authority on what the Constitution means. Constitutional Amendments do not pass easily, as demonstrated by the fact that only twenty-seven have passed in over two hundred years of the Constitution’s existence. This is the only way to check the Court when they make a constitutional interpretation.

With the decision in *Obergefell*, the Court can expect many new cases. It is easy for these writers to envision religious rights of corporations and business owners clashing with the rights of couples in same-sex marriages. Cases where fundamental rights clash are not easy to resolve. The desire and ability to extend First Amendment religious rights to corporations and other businesses will be high, but the Court acts at its own peril when it becomes too activist and tries to take on the job of legislatures.

J.C. Bancroft Davis, the court reporter, introduced in the beginning of this paper, who wrote the incorrect headnote in *Santa Clara*, may have had a crystal ball. While the Court in *Santa Clara* did not create corporate personhood, this concept certainly seems to be a part of constitutional law now. Perhaps the best way to keep corporations under control would involve keeping theory consistent and taking away civil liability protections—and maybe even some of the criminal liability protections that investors have—from being in a corporation. If there is no distinction between people and corporations for the enjoyment of constitutional rights, then there should be no special criminal or civil liability barriers either. This would at least force corporations, like people, to be fully responsible criminally and civilly for their actions.

**References**


Santa Clara County v. Southern Pacific Railroad Co. (1886, May 10). 118 U.S. 394, 6 S.Ct. 1132, 30 L. Ed. 118
Special Education Teachers’ Level of Training and Self-efficacy For Bullying Prevention and Intervention

Yvonne Ortiz-Bush
California State University, Bakersfield

Yeunjoo Lee
California State University, Bakersfield
The topic of school violence, including bullying, was not widely researched until after 1990 (Furlong, Morrison, Cornell, & Skiba, 2004). Recent data from the National Center for Education Statistics (2015), reports that one in five students between the ages of twelve and eighteen reported being bullied at school. While this is a decrease from corresponding 2007 data (31.7%), the issue of bullying remains one of the major behavioral issues facing school personnel. The scope of the problem is so pervasive that all have fifty states have adopted antibullying laws (U.S. Department of Health and Human Services, 2015).

A review of the ERIC and PSYCINFO databases confirms the majority of the bullying research from 1990 to 2015 has focused on general education students and their teachers. A call to explore the dynamic of bullying with special education populations has resulted from recent studies that find that special education students are at a greater risk of being bullied than their counterparts without disabilities (Blake, Lund, Quiong, Oi-man, Benz, 2012, Swearer, Maag, Siebecker & Frerichs, 2012). Rose and his colleagues (2011) also reported that students with special needs are more likely to be bullies than their peers without disabilities. The researchers suggested that students with disabilities may acquire the bullying behaviors to avoid victimization (Rose et al.). Overall, researchers have reported scarce literature and urge for more research on bullying in the field of special education.

The purpose of this research is to examine special education teachers’ experiences with bullying in their classrooms and on their school campuses. In specific, this preliminary research aims to assess special education teachers’ training and self-efficacy for bullying prevention and intervention.

Method

Special Education teachers served as participants for this preliminary study. After Instructional Review Board approval was obtained, participants completed a survey that was created by both authors. One author is a special education educator and the other is a counselor educator.

Participants

Participants were full time special education teachers in central California. They attend at a mid-size state university and work in a low income area with a high minority population. The majority of the 35 participants were female (n=27) while this preliminary sample did include 8 men. About 83% of teachers (n=29) have less than 3 years of teaching experience in special education, and 57% (n=20) are the first year teachers. Two thirds of all participants taught in an elementary school setting, which the reminder were equally divided between a junior high school and high school levels.

Half of the participants taught in self-contained special education classrooms, while the other half identified as being a resource room special teacher or reported teaching in combination of self-constrained and resource room settings.

Instrument

The survey used in this study sought to obtain preliminary data regarding participants’ perception of bullying in their school and classroom. The instrument included demographic and professional information about type of class and type of special education credential. A 10-point scale (1=low to 10-high) was also utilized to examine participants’ knowledge of bullying intervention and prevention, their
confidence in utilizing such interventions, how much they perceived bullying to be a problem, and whether or not they would benefit from further bullying training. They were asked to indicate the amount of previous training they received in bullying prevention and intervention in their academic training program, their school district, and their respective school site. In addition, examples of observed bullying incidents on their school campus and in their classroom were gathered.

**Results**

Participants indicated receiving the most training from their school district, a lesser amount from their teacher preparation program and a small amount from their school site. (Please see Table 1). About 26% of participants (N=9) indicated that they have not received any training from a teacher preparation program, their school, nor their district.

Bullying was reportedly more prominent at the school site and occurred less frequently in participants’ classrooms. When asked their knowledge of bullying interventions and confidence level, participants rated 5.6 and 6.1 respectively on a 10-point likert scale (1= low, 10=high). Participants indicated they would benefit from further bullying prevention and intervention training. This question received the highest mean rating of all the 10-likert scale questions. Please see Table 2 for further information.

Participants provided examples of physical, verbal, and relational bullying that occurs at their school and in their classroom. Some respondents did not report an incident of bullying at their school or classroom, 7 and 11, respectively. Only four participants did not provide an example of bullying in either category. One special education teacher reported an incident of cyberbullying via Facebook that occurred at the school level. Examples of bullying instances at a school setting include (a) peers not allowing special education student to eat at their table, (b) putting unused condom on student’s backpack, (c) excluding students from play, (d) making fun of a student’s speech, (e) hitting, and (f) name calling. The examples at a classroom setting were (a) violent threats, (b) student being punched in stomach, (c) making fun of a student’s speech, (d) name calling, teasing, and (spreading) rumors, (e) students being picked on, and (f) an older student overpowering a younger student.

**Discussion**

The results of the survey indicate that although 75% of special education teachers did receive some training in bullying prevention and intervention in their academic programs and as special education teachers, they strongly endorse receiving more training in this area. It is critical to note that 25% of participants indicated that they have received no training at all. There are different ways that special education teachers could receive this type of training. First, although most teacher preparation programs contain a classroom management class, state credential programs may differ in their focus and may or may not require training on bullying. Suggesting credential programs require an evidenced based training on bullying prevention and intervention would be a good start. Secondly, some states also require teachers to take professional development during their first year or two as a new teacher. Another suggestion would be to offer bullying intervention and prevention training in this venue. Finally, ethically, school districts should offer training on this important school climate issue on a regular basis. Smaller school districts that lack funds or personnel to provide the training can collaborate with their county office of education or another small neighboring school.
District. Teacher preparation programs and districts are also encouraged to look for innovative ways to deliver training. Technology allows different ways to reach and train preservice and inservice teachers. Universities and districts can collaborate and develop hybrid or online training programs that utilizes already existing resources and that meets the needs of local districts.

The mixed results about bullying being more of a problem on the participants’ school campus than in their respective classroom is perplexing. The question did not ask participants to indicate the rate of bullying in the classroom or at their school site, rather the question asked them whether or not bullying was a problem in these two settings. It would be beneficial to gather data to determine if this finding is replicated, and if it is, to follow-up with some qualitative questions that would allow this dynamic to be explored in more depth. A larger sample of more special education teachers is also recommended. This would include including participants from different geographic regions and special education teachers with varying degrees of teaching experience. The limitations of the preliminary data preclude any conclusions, however, it would be prudent to inquire about the rate of bullying in the classroom and at the school site and in addition to the rating of how bullying is perceived to be a problem in these two settings.

Becoming a special education teacher requires much preparation. Most enter the profession based on their desire to teach students who require additional educational services to reach their academic potential. The demands are great. This study was a preliminary exploration of bullying from the perspective of the teachers who are in daily contact with students at high risk of being bullied.

References
Table 1
Average Hours of Training on Bullying Prevention and Intervention

<table>
<thead>
<tr>
<th>Training Sources</th>
<th>Average Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>School District</td>
<td>5 (n=31)</td>
</tr>
<tr>
<td>Teacher Preparation Program</td>
<td>2.9 (n=31)</td>
</tr>
<tr>
<td>School Site</td>
<td>1.4 (n=27)</td>
</tr>
</tbody>
</table>

Table 2
Average Rating of 10-point Likert Scale Questions

<table>
<thead>
<tr>
<th>Question</th>
<th>Average Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>How much you feel bullying is a problem at your school?</td>
<td>5.8 (n=35)</td>
</tr>
<tr>
<td>How much do you feel bullying is a problem in your classroom</td>
<td>3.5 (n=35)</td>
</tr>
<tr>
<td>Knowledge of bullying interventions</td>
<td>5.6 (n=35)</td>
</tr>
<tr>
<td>Confidence in providing bullying intervention to students</td>
<td>6.1 (n=35)</td>
</tr>
<tr>
<td>Benefit from bullying prevention and intervention training</td>
<td>8 (n=33)</td>
</tr>
</tbody>
</table>
Internal Control in Liuzhou Social Medical Insurance Fund

Bin Chen
Central Washington University
Abstract
This is an analysis of social insurance policies in Liuzhou specifically, the problem of maintaining an adequate balance of medical insurance pooling funds through more efficient internal control. At the city level, expenditures can be controlled through regulating the number of insured people and/or effectively controlling the cost of services provided by medical institutions. With the large-scale implementation of state medical insurance in China services must now be provided to almost everyone. However, the increased consumption of medical care and the asymmetry medical information have created problems in balancing the city’s the medical insurance fund policies. (Asymmetry means simply that doctors’ professional medical knowledge gives them an information advantage over patients that creates an opportunity to over treat and/or medicate patients.) Taking into consideration the needs of the clientele and economic limitations (regulations and budgets at all levels of government, the requirements of the overall economy local enterprises and service providers) a series of internal control measures are recommended.

Introduction
The medical insurance system is an important part of the social insurance system. The medical insurance fund system in China is one in which the national government collects money from individuals and organizations to provide for employees’ basic medical benefits. The medical insurance fund includes the social collective fund, which is called the pooling fund, and personal accounts. An in-service employee pays basic medical insurance premiums of 2% matched by 7.5% of his base pay from the employer. However, no premiums are paid for or by retired people. Part of the insurance premiums go to funds under the mutual assistance program and the rest to the employees' personal accounts.

In 2000 full coverage health-care for all urban employees and was established in Liuzhou. At the end of 2014 the city had a population of 3,758,700 of which 3,582,000 were covered by social insurance.

In 2009, the balance of the medical insurance pooling fund was RMB ¥1,019,000,000. The balance of the pooling fund could last for 14.56 months. (The Information and Statistics Section of Liuzhou Social Insurance Bureau, Liuzhou, Guangxi Zhuang Autonomous Region 2014) It exceeded six to nine month appropriate balance level and was close to exceeding the 15 month limit set by the national government. (The Office of Human Resource and Social Security Ministry, 2009) This seemingly good news precipitated in a big problem for the city.

The Problem: Origin and Scope
Because the rate of the premiums cannot be increased the urban employees’ basic medical insurance fund became very volatile and plunged into deficit.

As the surplus grew in order to stay within the prescribed limits and provide better services, the out-patient chronic disease policy was established. This policy gave the insured, especially people who have chronic diseases, more benefits from the medical insurance fund. The expensive tests and treatments that chronic diseases involve helped create a deficit in the fund by 2012.

A second factor was structural. Payments from employee’s medical insurance are both socially-funded and individually funded. Part of the insurance premiums go to the mutual assistance program and the rest to employees' personal accounts. The medical
insurance pooling fund is the public fund that pays for basic needs: hospitalization, emergency rescue, out-patient chronic diseases, and referrals.

The last and possibly the most important factor involves moral hazard: The asymmetry of information between providers and consumers in medical market lead to unnecessary increases in the cost of medical care. Medical service providers like hospitals could take advantage of information to induce demand by requiring unnecessary and excessive medical tests and treatments.

**Current Situation**

The first condition for operating basic medical insurance system is the medical insurance pooling fund. Once the pooling fund runs a deficit, the security function of basic medical insurance system is weakened and it will eventually fail.

**The amount of coverage of medical insurance.** Medical insurance covers 9,639 units which have increased 8.25 times, and 144,560,000 people that have increased 36 times since 2000. 95% people of Liuzhou are covered by medical insurance. There are 262 medical insurance appointed hospitals and 155 pharmacies. (Information and Statistics Section of Liuzhou Social Insurance Bureau, Liuzhou, Guangxi Zhuang Autonomous Region 2014)

**The income of medical insurance.** Because almost all of the people in Liuzhou are covered by medical insurance, the income of medical insurance has shown steady growth in the last three years (See Table 1), but under current policies that income is unlikely to continue to increase.

**Medical expenditures.** Medical expenditures have grown significantly and have affected the pooling fund, because the asymmetric information causes supplier-induced demand and over-treatment.

**Analysis**

**Constraints:**

First, the pool cannot be expanded: more than 95% population of Liuzhou is already covered. For the single pooling region, in a certain period, the number of insured can’t vary by a significant amount. The income from the increasing quantity of insured grows slowly. In Liuzhou the number of insured totals 440,000 people and tends to remain stable. (The Information and Statistics Section of Liuzhou Social Insurance Bureau, Liuzhou, Guangxi Zhuang Autonomous Region 2014)

Second, as part of national policies to reduce the burdens of enterprises and stabilize employment after the after the international financial crisis in 2008 Liuzhou Social Insurance Bureau reduced the ratio of the medical insurance premiums. This reduced the medical insurance premium by RMB ¥62,100,000 in 2009. (The Information and Statistics Section of Liuzhou Social Insurance Bureau, Liuzhou, Guangxi Zhuang Autonomous Region 2014)

Third, the 18th CPC National Congress required a reduction in social insurance premiums because to increase the rate of premiums will not only add to the enterprises' burden, but also cause instability in society. Therefore, the rate of social insurance premium has remained the same since 2000. (The State Council Guoting publication NO 1998-44)

Considering the above, the income of the medical insurance fund cannot be enhanced through increasing the number of insured people or the premium rate.
2. Medical Expenditures

First, because no one pays any premiums for the retired, their personal accounts come from the pooling fund into which the working people pay. Maintaining personal accounts for the retired draws down the medical insurance fund. With increased longevity and the average salary growth, the retired personal accounts have become an important factor that undermines the pooling fund.

In 2012 the national government required Liuzhou to perfect the medical insurance security system during the Twelfth Five-Year Plan period. (The State Council Guofa publication NO. 2012-57) That meant increasing the coverage of social insurance including social medical insurance. During 2012 to 2015, with the development of a broadened scope of insurants, more and more individuals and organizations joined the medical insurance system. This expansion increased the percentage of the retired people in the total pool of insured from 8% to 32%. Payments to personal accounts for the retired reached RMB ￥0.11 billion by 2012 and it is expected to account for RMB ￥0.21 billion in 2015. At present, the one-eighth of the total income of medical insurance (RMB ￥1.6 billion) goes to the retired personal accounts. (The Information and Statistics Section of Liuzhou Social Insurance Bureau, Liuzhou, Guangxi Zhuang Autonomous Region 2014)

Second, medical costs are increasing rapidly. There are a lot of factors, other than moral hazard, that affect medical costs, such as people’s lifespan growth and that people care more about their health. The increased ratio of elderly in our population undoubtedly increases the occurrence of chronic disease.

Third, over treatment by providers and lack of regulation by the agency is driving costs up. Because of the lack of profits, many state-run hospitals have tried other ways to increase their income - including prescribing/billing excess drugs and medical tests for patients. At present, our social medical insurance system is a basic medical insurance system which only covers the most basic health care. Medical care providers have the temptation of over prescribing treatments and medications to patients, which makes coordination of the health insurance fund more difficult, leading to a certain degree of wastage. The charge system in health insurance which is abused by some patients and doctors is another reason of over-treatment.

This seems to be the area in which significant action can be taken within the city government. However, it is difficult to judge whether the treatments follow the requirements of basic medical insurance.

There are various ways to over treat that are not easy to detect; such as expanded treatment, using expensive and new technology and disposable materials instead of the traditional surgical operations and materials. Since these new expensive technologies and disposable materials have been included into Catalogue of Drugs for Basic National Medical Insurance, the burden rests with the agency. In fact, the patients often don’t need these expensive treatments. So it is difficult to judge whether the medical consumption is reasonable because of the individual differences of patients. Especially since the increase for individual patients may be limited. However, the accumulated total expenditures are large.

According to the statistical information of Liuzhou in 2013, the expenditure of electro acupuncture is near RMB ￥21,000,000 and tends to increase further. (The Information and Statistics Section of Liuzhou Social Insurance Bureau, Liuzhou,
Since nothing can be done about the demographics of the pool solutions must be found in those areas where moral hazard is a factor in driving up the costs. The key questions here are: How effective is the agencies internal control system? What are the problems? And How can they be fixed.

Internal Control System in Medical Insurance

Management Method of Internal Control System of Social Insurance Agency was established by the Ministry of Labor and Social Security on January 17th 2007. (The Office of Human Resource and Social Security Ministry, 2007) In terms of this regulation, every medical insurance agency should set up an internal control system. The medical insurance fund is one of the social insurance funds. The businesses of social insurance agencies include collecting premiums, managing fund and the insured’s benefit, recording information of the insured, and managing the insurance treatment. All above the work is related to the money so that it is necessary to set up a perfect and efficient internal control system to manage people and money.

Requirements for Internal Control Systems

First, through taking relevant measures, standardizing business processes, setting up reasonable job positions, clarifying corresponding responsibility, to establish mechanism of mutual restriction and internal supervisions. These measures can make the medical institutions strictly implement national medical insurance policies and abide by the laws.

Second, the perfect internal control system can prevent mistakes and fraud, protect against medical insurance fund loss, and control the risk of management of fund.

Third, the perfect internal control system can ensure the genuineness and reliability in the accounting information and other insured information. It can provide evidences for the policy constitution, and provide for timely and accurate accounting information for the budget, final accounts, and the performance measurements.

Fourth, the perfect internal control system can make a clear division of power and responsibility, and set up efficient coordination and constraints to enhance the quality and efficiency of medical insurance agencies.

Take Nantong City for example, the agency improved the methods for collecting and managing social medical premiums to keep the collection rate at more than 99% since 2008. The balance of the medical insurance fund has been controlled at 14% in recent years. The expenditures on hospitalization were reduced from 30% to 20%. The balance of payment of the medical insurance fund is holding up well. Liuzhou agency should learn from the Nantong model to develop a suitable internal control system to ensure the medical insurance fund’s integrity.

Solutions

The Management of Human Resource

The employees are the core part of an organization to build internal control environment and implement internal control system. They can provide the best services. It is important to improve their personal quality which includes their professional morality and professional competence.

First, it is necessary to strengthen education training and continuing education through various businesses guidance so as to improve the working people professional skills and overall quality.
Second, assessment & evaluation and an incentive system should be used. Model workers and advanced workers should be commended and rewarded, and those lagging behind should be deliberately encouraged.

Third, human resources should be optimized. Agencies should allocate their employees the most suitable jobs in accordance with their functional abilities.

Fourth is to rotate posts regularly in the key positions. Over time, employees can accumulate various resources which might breed corruption. Shifting positions system can not only prevent corruption but also let employees experience other tasks so as to master each department jobs. It can avoid being business negatively affected once a person quits. At the same time, the new person can bring new ideas to the new position. It is a good way to promote positive work methods and increase the efficiency of medical insurance agencies.

Management of the Business Processes
According to the relevant policies and regulations of medical insurance, we should standardize business procedures related to registrations of the insured, check off collecting premiums, monitor assignment of the fund, examine and approval procedures of treatment, improve management of funds, audit and supervise. All the claim materials should be correct, reliable, complete, and effective. Each business process should be independent and linked to each other. The business should be examined initially and reviewed.

Meanwhile, we should set up a perfect authorization of approval system. That is to say the medical insurance business should be approved through regulation authorization. We should stipulate people, scope, power, process, and responsibility of the relevant authorization. All major issues concerning medical insurance handling management should be decided in accordance with the principle of democratic centralism. The specific business section makes suggestions to the leader. Then the leader and relevant sections make decision and implement the policy.

Management of Fund
The budget: The pooling region should implement the social insurance fund financial system. Urban employee’s basic medical insurance budget for annual expenditure which is based on the basic medical insurance fund annual budget will be made by the People's Congress at the beginning of a year.

When we prepare the revenue budget, we should consider factors including the level of local economic development, the level of employees’ salary, the scope of medical insurance coverage, and proportion of medical insurance financing.

While we prepare the expenditure budget, the insured age structure, disease spectrum, growth of medical consumption, the scope of medical insurance benefits, the level of medical insurance security, status of medical insurance fund balance, and average expenditures of the appointed medical institutions in the first three years should be considered.

Any relevant drafts resolution of the medical insurance pooling fund should be examined and approved by the social insurance administration department after seeking opinions from financial and health departments and appointed medical institutions. Then the annual medical consumption revenue and expenditure budget, medical expensive index of Liuzhou appointed medical institutions, the year-end settlement will be established. After that, the final draft will be published and
implemented.

**Accounting and statistical analysis:** Financial accounting and statistical analysis are two methods to standardize the managing process of medical insurance. We should implement the financial and accounting rules strictly.

First, we should perfect financial internal control system by separating the expenditure from the income of medical insurance fund. Medical insurance agencies can make service agreements such as financial special account of income and expenditure with the financing institutions which are responsible for collecting premiums.

Second, we should implement the financial examination system strictly. According to the requirements of the financial examination system, business and financial departments should cooperate to double check. For example, the expense claims should be examined and approved by more than one section and rechecked for errors, and then they can be paid.

Third is the finance director joint signature system. The medical insurance expense claims, transformation of personal account, and agreement project, should be examined, approved and signed by the person in charge, reviewers, the principal heads or the person who is authorized by the principal heads. All the information should be reported to the financial director.

**Warning system:** Liuzhou medical insurance agencies should use the medical insurance computer system to build a warning system which can analyze the operation of the medical insurance fund and warn of risk early. The balance of the medical insurance pooling fund should be regarded as the key indicator for monitoring basic medical insurance fund risk-warning. According to the balance of medical insurance pooling fund, we can propose some concrete measures to ensure the safety of fund.

The balance of medical insurance pooling fund should last for six to nine months. If the balance of medical insurance pooling fund can be used more than fifteen months, it is called an excessive balance, if less than three months, it is called insufficient balance.

Data shows that RMB ¥ 0.9 billion of the social insurance fund including medical insurance fund was misused in 2013. (http://finance.sina.com.cn/review/hgds/20130218/145014572915.shtml) In recent years, on one hand, the patients went into hospital but they were not sick. On the other hand, some hospitals abused expensive examinations and drugs caused over-medicalization. Then the medical insurance fund suffered a senior’s deficit.

**Overall management of medical insurance fund:** First is to strengthen supervision of the processes of collecting premiums, payment, saving, and management.

Second is to enhance regulations to establish the medical insurance fund precaution mechanism. We should launch a plan on rewarding people who report fund fraud to eliminate the phenomenon of fraudulent claims.

Third is to publish the results of collections and expenditures of the medical insurance fund and the insured medical insurance treatment to the public and accept their oversight regularly. Once balance of pooling fund is insufficient to pay at the current period, the agencies can borrow money to ensure proper payment. At the same time, the agencies should adjust the policies and methods to raise funds. Therefore, a comprehensive medical insurance fund early warning system should be established and reported to the higher level of human resource and social security, and financial
departments to record.

Fourth is to use technology of information systems to further accelerate intelligence monitoring. We should change the supervision method from afterwards to beforehand and during. We should examine the documents from all the people who include all the insured, doctors’ work stations, and all the doctors instead of via sample inspection.

**Management of Medical Payment**

**Increase monitoring efforts:** An agreement with appointed medical institutions should include the standards of in-patient and discharge criteria, the rules of clinical diagnosis and treatment, Clinical Medication Guide, Prescription Administrative Policy, and the method of doctors’ assessment management. We should set up and perfect the assessment system of appointed medical institutions service according the agreement.

Liuzhou as the first pilot city nationwide to adopt state software to design a real time supervisory control platform set up the medical insurance fund intelligent management system in 2012 to real-time monitor appointed medical institutions. Any irregular prescription and medical consumption activity would indicate abnormal behavior. The medical insurance fund intelligent management system can defuse the conflict between the workload and the lack of staff at medical insurance agencies.

**Settlement mode:** There are two methods for payment of the basic medical insurance fund. One of the methods is that the patients don’t need to pay for the medical care directly. The medical insurance agencies would pay agreed fees upon to hospitals. The other method is that the agencies make agreements with hospitals through budgetary quota. The agencies settle with hospitals per month and at year-end. In fact, this is an ex post facto settlement. The medical consumption is before accounting. It cannot effectively restrain the medical costs.

If we use the und, because the agencies have paid to the medical institutions according to the predetermined indicator system. The medical institutions provide service as required. However, it can cause a new problem in that medical institutions may refuse patients because of a lack of medical resources.

On the one hand, we should link with heath and financial departments to manage the medical insurance payment dynamically. On the other hand, the agencies should determine the standard and payment of medical service through consulting and negotiating with medical institutions, medicine suppliers, and medical materials, instruments and devices suppliers. Medical security should undertake functions as to guidance and constraint for medical services and consumption.

Based on the principles of total medical consumption control, tax-and-spend, balance of payments, rewarding saving, sharing overspend, we can implement various methods of payment, such as, total budget pre-payment, fee for service, capitation, fee for unit, single disease payment, and flat rate payment, to stimulate the medical service institutions and doctors’ initiative to control medical cost.

Since 2010, Liuzhou began to implement single disease payment which obtained good social and economic benefits. This is a mode of quota payment of specific single diseases that medical insurance agencies settle accounts with hospitals by single disease diagnosis. From then on, Liuzhou medical insurance agencies had signed single disease payment agreements with appointed medical institutions including cardiology and cardiac surgery, urinary surgery, ophthalmology, and orthopedics more than 100 diseases.
Take intracoronary stent implantation for example, before implementing the single disease agreements, it cost RMB ¥ 50,000. When implemented the single disease agreements, each cost RMB ¥ 32,000.

**Coordination of the Departments**

We should enhance coordination with health, public security, and disciplinary departments to prevent corruption. Take Hangzhou city for instance, the Liang Jian Action was carried out in February 2013. This action was used against medical insurance fraud in order to ensure the medical insurance fund integrity. They put large number effort into practicing management of medical insurance and realized warning before hand, during control, afterwards auditing. Inappropriate medical consumption was down by up to 47.95% and the improper documentation like prescriptions and checklists was reduced 31.37% during the same period last year in 2013.

In May 2014, this Liang Jian Action inspected 747 appointed medical insurance institutions, 225 of them were punished for violations, and took back RMB ¥ 2,850,000. The average growth of Hangzhou medical insurance fund was controlled fewer than 10% but 30%-40% in nationwide. (http://hzdaily.hangzhou.com.cn/hzrb/html/2014-11/25/content_1845309.htm)

**Management of the Off-site Treatment**

According to the regulation of the medical insurance system, the insured should obey the principle of dependency administration. That is to say, the insured gains the medical treatment with the pooling region usually.

Off-site treatment is a person gains the medical treatment in local pooling region. People who expenses hospitalization in other places, this method of medical consumption we called it as off-site treatment.

Strengthens management which different goes see a doctor to the medical insurance insured personnel, it is a question which our country current system of medical care insurance reform must solve properly. We should start the immediate settlement work which comprehensively in various provinces province different will go see a doctor.

One of the reasons causing the amount of medical insurance fraud to be high was ineffective management on off-site treatment. Another important thing for the agencies is to enhance the management on off-site treatment. If the insured people who live in Nanning city come to Liuzhou to see a doctor, Liuzhou medical insurance agencies should be responsible for the insured. This can prevent fake invoices or medical consumption through supervising by Liuzhou agencies.

**Conclusion**

The medical insurance fund balance has great significance to medical insurance system’s smooth operation. The internal control system is designed to ensure that the medical insurance pooling fund runs smoothly. The most important thing is effective implementation. Internal controls should not reduce productivity. A strict system can prevent mistakes and fraud. However, too complicated a system will increase processes so as to reduce efficiency. We should control the key positions so that we can maximize the benefits of the insured while simplifying procedures.

The internal control system should be improved constantly. With the development of social economy, the management of the medical insurance fund faces many changes and issues. The same system cannot effectively adapt to the demands of medical
insurance fund management. It requires that medical insurance agencies have the ability to discover new problems and evaluate the effectiveness of the internal control system. Therefore, the agencies can control new risk and simplify the old procedures in time so as to increase efficiency and the satisfaction of the public.

**Recommendation and Reflection**

Because of a lack of personnel and professionalized staff, in order to enforce the internal control system better, we should introduce a third party to oversee medical actions. The third party institution is composed of members of medical insurance expert committees of Guangxi region, or professional medical consumption investigation companies. A new monitoring system which combines the medical insurance supervision and outside control will be set up to control medical consumption growth to close to the growth GDP in Liuzhou.

We should adjust medical insurance policies every five years in terms of average longevity of Liuzhou citizens, structure of population, and incidence of diseases. The scientific payment method can be established base on it to control medical cost.

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### Table 1:

<table>
<thead>
<tr>
<th>Income of medical insurance</th>
<th>2010-2011</th>
<th>2011-2012</th>
<th>2012-2013</th>
</tr>
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<tr>
<td></td>
<td>Total</td>
<td>Total</td>
<td>Growth ratio</td>
</tr>
<tr>
<td>Personal account</td>
<td>44,276.05</td>
<td>55,156.89</td>
<td>25%</td>
</tr>
<tr>
<td>Pooling fund</td>
<td>54,693.95</td>
<td>77,273.95</td>
<td>41%</td>
</tr>
<tr>
<td>Retired one-off pay</td>
<td>25,504.57</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>124,474.57</td>
<td>132,430.84</td>
<td>6.39%</td>
</tr>
</tbody>
</table>

**Source:** 2014 The Liuzhou Social Insurance query data.
Greece and the Eurozone Crisis: “The Past as Prelude”

Bruce A. Forster
John Becker
The University of Nebraska at Kearney
Introduction
Slightly less than seven months after becoming Greece’s Prime Minister in January 2015, Syriza Party leader Alexis Tsipras submitted his resignation to Greek President Prokopis Pavlopoulos on August 20, 2015. Greece faces its sixth election in eight years on either September 20 or 27, 2015.

Greece’s real output (real GDP) contracted each year from 2007 to 2013. In 2014, Greece’s output grew but only by 0.6%. Greek output is 25% below its 2008 level. Unemployment is roughly 26% overall, and Youth Unemployment is almost 50%. Public debt is 180% of GDP.

In a 2015 Eurobarometer survey, more Greeks indicated that they “tend to distrust” the European Union (73%) than indicated they “tend to trust” it (26%). Ninety-seven of Greeks rated Greece’s economic situation as “total bad.” However, about three quarters of Greeks prefer to remain in the Eurozone (the countries using the euro as their currency) than to leave it. Forty-six percent of respondents indicated that they expect the economic situation to be worse in 12 months.

This paper provides a brief historical overview of Greece’s involvement with the EU and the Eurozone in order to have a better understanding of how Greece and the EU arrived at this unfortunate juncture.

Genesis: From the Treaties of Paris (1955) and Rome (1957) to the Maastricht Treaty (1992)

The present-day European Union evolved from three separate “Communities” established in the mid-1950s. The first, established by the 1955 Treaty of Paris, was the European Coal and Steel Community (ECSC). The 1957 Treaties of Rome established the European Atomic Energy Community (EAEC—also known as Euratom) and the European Economic Community (EEC). The communities were established in response to the two world wars that had ravished Europe during the 20th century (WWI: 1914-1918 and WWII: 1939-1945). The objective of these communities, simply stated, was: Peace in Europe through Regional Economic Integration. The members of each of these communities were: Belgium, the Netherlands, Luxembourg (Benelux), France, West Germany, and Italy.

The ECSC and the EAEC were essentially free trade clubs for specific industrial sectors. The EEC was established as a trade club for a broader range of goods and services and it was established as a “common market”. A common market is a Customs Union (a free trade club in which all members have the same trade policies (e.g. tariff rates) for non-members) which also allows the free movement of capital and people between member countries.

The three Communities were merged by the 1965 Treaty of Brussels (The Merger Treaty) and became the European Communities (EC) effective July 1967. There was no change in membership. In fact, it would be another six years before the membership would be expanded.

The EC set European Monetary Union (EMU) as a goal at a 1969 meeting in The Hague, and in March 1971 a three-stage approach was approved in principle. In March 1972, the EC members created the “Snake in the Tunnel” by linking their currency exchange rates together within the limits set by the International Monetary Fund (IMF). In March 1973, the US dollar experienced further speculative pressure creating...
uncertainty and fear in foreign exchange markets resulting in their closure for two weeks. When the markets opened all major currencies were floating but with governments intervening to smooth out fluctuations. The EC’s Snake in the Tunnel became known as the Snake in the Lake. Expectations of returning to the Bretton Woods System\(^2\) of exchange rates administered by the IMF were not realized and the managed floating rates system was established. With the new international monetary system in place, the EC’s push for European monetary integration abated.

The EC members renewed their push for monetary integration in 1979. The European Monetary System (EMS) was established. A new currency unit, the European Currency Unit (ECU) and an Exchange Rate Mechanism were created. Members of the EMS were required to keep fluctuations in their exchange rate to \(\pm 2.25\%\) relative to a central value in terms of the ECU. Italy was allowed a 6\% band.

The first enlargement in EC membership occurred in 1973 when Britain, Denmark and Ireland were admitted to the club. The next additions to the EC membership occurred in the 1980s with Greece being admitted in 1981, and Spain and Portugal entering in 1986.

On November 9, 1989, the Western World received an unexpected jolt when the Berlin Wall, erected in 1961 to partition Berlin into a Western sector and an Eastern sector, fell.

Less than a year later, on October 3 1990, West Germany and East Germany were re-united forming a single Germany. This reunification had profound implications politically and militarily for Europe and the Soviet Union since it merged a Soviet Bloc entity with a Western NATO entity which was also a member of the EU! The reunification also had significant economic consequences as West Germany, an economic powerhouse, was faced with merging an economically backward entity unaccustomed to the rigors of a market economy. The reunification also posed an issue for the EC and NATO: is the new Germany a member of the EC and NATO, or just the former West Germany. The Soviet Union was opposed the inclusion of East Germany in NATO. The unified Germany became a full member of both organizations. This move “eastward” would resume later.

The EC made a major advance towards achieving its goal of monetary union in February 1992 when the EC members signed The Maastricht Treaty. The Treaty aimed to establish an integrated monetary system within which members use a single, common currency. Under the Treaty the EC is superseded by the European Union (EU).

In order to join the set of EU countries using the new common currency, members were to satisfy a set of conditions called the Convergence Criteria. These specified limits on the respective countries’ public finances, inflation rates and interest rates. Crucial to the topic of this paper are the criteria for public finances specified relative to the respective country’s GDP. The limits were as follows:

\[
\begin{align*}
\text{i) Public debt} & \text{< 60\% of GDP} \\
\text{ii) Public deficit} & \text{< 3\% of GDP}
\end{align*}
\]

In addition to these criteria members were to have spent at least 2 years in the ERM without major realignments.
From Maastricht 1992 to the Introduction of the Common Currency (the euro), 1999

With the Treaty signed, the next stage was for individual members to ratify the Treaty using their respective approved policies for ratification. The first country to move to ratify was Denmark using a national referendum. In June 1992, the Danish people voted NO on the Maastricht Treaty by roughly 51% to 49%. This was unexpected. Concern emerged that France might follow suit calling the viability of the Treaty into question. By September, foreign exchange markets were shaken and speculative pressures led Britain and Italy to pull out of the ERM. Spain stayed in the ERM but devalued the peseta by 5%. Despite the YES vote in September 20th French referendum, speculation against the French franc, Spanish peseta, Portuguese escudo and Irish punt continued (Buiter et al., 1998). Speculation continued for almost a year. One reason offered for the failure to handle the shock was “co-ordination failure” in which countries reacted in their own self-interest rather than the benefit of the members collectively (Buiter et al., 1998).

Greece was not a member of the ERM; however, it still got caught in the speculative frenzy. The Bank of Greece intervened in the market to support the drachma, imposed capital controls and raised the official lending rate. Greece’s debt to GDP ratio jumped from 88.6 in 1992 to 117.1 in 1993 (Buiter et al., 1998).

Decisions regarding which EU countries qualified to enter the common currency area would be made in 1998 based upon data from 1997. The single currency was slated to start on January 1, 1991 as an accounting currency—no tangible currency would be issued at that point. Realizing that it would not qualify for admission on 1991, Greece joined EMS and placed the drachma in the ERM in the hopes of qualifying for Eurozone membership prior to January 1, 2002 when coins and paper currency would be issued and national currencies phased out.

In 1995, Austria, Finland and Sweden were admitted to the EU bringing the membership to 15. Also in December 1995, the “euro” was the name selected for the common currency.

Eleven of the 15 EU members adopted the euro as their currency on January 1, 1999.

Denmark and the UK were granted opt-out status. Sweden was granted more time to meet criteria (as of 2015, it still has not joined the Eurozone).

As expected, Greece was deemed to have an “excessive deficit” and, accordingly, failed to satisfy the Maastricht’s fiscal finances criteria for membership in the initial common currency group of EU members.

From the Launch of the Common Currency 1999 to the Eurozone Crisis, 2009

In 1999, Greece had lowered its deficit to be 1.6% of GDP, and the Greek debt to GDP ratio was given as 104.4%. While the debt/GDP ratio still exceeded the 60% criterion it was lower than in previous years, and it was lower than the debt ratios of Belgium (114.4) and Italy (114.9). In November 1999, the European Council concluded that Greece no longer had an “excessive deficit” and, was in compliance with the public finance criterion.

Given the decision of the European Council, Greece was admitted to the euro club on January 1, 2001 (Herz and Kotios, 2000).
On January 1, 2002, euro coins and paper currency were issue and, domestic currencies of individual members were taken out of circulation.

In 2003, France and Germany both violated the deficit criterion with deficits exceeding the 3% of GDP limit. The Treaty provides for penalties in the form of fines to be levied against members which fail to comply with the budgetary rules. The European Commission was prepared to levy the penalties but the finance ministers of the Eurozone countries voted the Commission down. The national governments chose to ignore the rules established for the benefit of the organization! The German situation was explained as necessary given the unification efforts. Nonetheless, the national finance ministers’ action sent an unintended message to others in the Eurozone which is expressed by Peter Doukas, Greece’s Deputy Finance Minister, “The view was that, ok, if the big boys won’t adhere and impose discipline on themselves, they’re going to be more relaxed in enforcing the treaty [on us]” (Little, 2012a). These actions and responses soon would prove to be quite ironic!

In 2004, the biggest enlargement of the EU took place with ten countries were admitted to the EU bringing the membership total to 25. Eight of the 10 represented an eastward expansion, and included former Soviet Bloc countries.

By 2004, it was becoming transparent that Greece had “cooked the [fiscal] books” to satisfy the “excessive deficit” rule, and secure admission to the Eurozone. Rather than a 2004 stated budget deficit of 1.5% the actual budget deficit was 8.3% (Little, 2012b). An example of how the situation was fudged is provided by the treatment of the Greek state railway which was losing a billion euros annually. A former minister said it would be cheaper to send train passengers by taxi! The fudge was to have the railway company issue shares which were purchased by the government. These purchases were treated as a financial transaction instead of an expenditure which removed the item from the budget (Little, 2012b).

While it was clear to the new Greek government’s budget minister that the government should start “chopping”, the government resisted the action fearing adverse responses to the actions as the Olympics were about to commence. Instead, the government borrowed the funds to finance the deficit. Investors were happy to invest. Since Greece’s currency was the euro as was Germany’s, Greece was viewed as being as safe as Germany and, was able to get credit pretty much as cheaply as Germany. Investors under-estimated the risk of their investments (Little, 2012b). Greece was not Germany. Greece’s books were misleading, and Germany was struggling more than may have been apparent. The seeds of the future Eurozone Crisis had been sowed by 2004! The fertilizer was supplied by the government of Prime Minister Kostas Karamanlis which ruled from 2004 to 2009. During his rule, the debt/GDP ratio rose from 97% to almost 130%. Between 2007 and 2009, Karamanlis falsified economic performance data in the hopes of winning reelection—his party lost! (Elfetheriadis, 2014)

The 2008 mortgage market crisis in the United States hit financial markets and the generated fears of a global “Great Recession”. The Eurozone Crisis began as a Greek public debt problem in 2009 as investors began to fear that Greece’s debt was excessive. This led to demands for higher interest rates on Greek bonds driving up the cost of Greece’s borrowing (Archick, 2015).

**Eurozone Crisis and Greek Bailouts I, II, and III**


As a result, Greece found itself facing the prospect of defaulting on its debt in 2010. Other Eurozone countries faced similar concerns: Portugal, Ireland, Italy and Spain (Archick, 2015). The press labelled this group of five the PIIGS. Greece, Ireland, and Portugal received bailouts in 2010. The Spanish banks and Cyprus received bailouts in 2012 and 2013 respectively (The Economist, 2015). Ireland and Portugal exited their bailout programs in 2013 and 2014 respectively, and the aid to Spanish banks also completed (Archick, 2015).

In return for the bailout funds Greece was obligated to undertake austerity measures to cut its debt and a promise to cut its budget deficits to 3% of GDP. This included cuts in salaries of public workers, higher value-added taxes and raising the retirement age for female public sector workers. These austerity measures were not popular and generated public protests (CNN, 2010). The impacts of austerity cuts were not shared evenly given the corrupt political processes in place that allowed political parties to selectively apply the cuts while stalling on meaningful reforms (Eleftheriadis, 2014).

Greece, with its economy faltering and being unable to obtain international funding, faced default again. In 2011, Greece sought a second bailout (CBC News, 2011). This request received approval by Eurozone finance ministers on March 14, 2012. The agreement obligates Greece to cut its debt/GDP ratio from 160% to 120.5% by 2020, and accept permanent economic monitoring by the Eurozone experts “on the ground.” A confidential report prepared by international experts warned that Greece would need more help in meeting the debt reduction target (BBC, 2012). Continued political instability during the elections of Spring 2012 led to an increase in capital outflows, and generated doubts about Greece’s ability to administer the adjustment program. The election produced a three-party coalition government (European Commission, 2015).

In September 2014 speech, Greek Prime Minister Antonis Samaras announced that “The era of bailout packages is ending” and that “Greece is now welcoming the new Greece.”

The result of this speech was not what he would have hoped. The yield on long-term Greek government bonds soon rose from 5.8% in early September to almost 9%. Bailout II was due to end in a month’s time. The market response indicated that Greece was likely to need a third bailout-Bailout III (Spiegelonline International, 2014).

Officials in November 2014 announced that Greece had not fulfilled their obligations under Bailout II. They fell about 2 billion euros short of meeting the budget deficit requirement. December 8 was the deadline for Eurozone finance ministers to make a decision for the precautionary line of credit to go into effect by the start of the 2015 year. Germany, Finland and the Netherlands indicated that nothing would happen without the IMF (Spiegelonline International, 2014).

On January 25, 2015 Syriza, a left-wing political party led by Alexis Tsipras, won Greece’s National Election defeating the New Democracy party led by Antonis Samaras. Tsipras vowed to fight austerity requirements while seeking the third bailout for Greece. He failed to achieve his goal, and on June 30, 2015 Greece failed to make a 1.55 billion euro payment to the IMF. Greece thus became the first EU country to default. The default was the largest in IMF history.
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Footnotes

1. Members of the EU with dates of entry are given in Table 1.
2. The Bretton Woods System was the international financial system established at the end of WWII. Under the system, countries declared par values for their currency in terms of gold or US dollars. Currencies were able to fluctuate within a narrow band around their par value. US dollars were convertible into gold.
3. Members of the Eurozone with their entry dates are given in Table 1.
Table 1: Memberships in the EU and the EUROZONE (EUROZ)

<table>
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<th>COUNTRY</th>
<th>IN EU?</th>
<th>IN EUROZ ?</th>
</tr>
</thead>
<tbody>
<tr>
<td>BELGIUM</td>
<td>Y (1958)</td>
<td>Y (1999)</td>
</tr>
<tr>
<td>UK</td>
<td>Y (1973)</td>
<td>N</td>
</tr>
<tr>
<td>DENMARK</td>
<td>Y (1973)</td>
<td>N</td>
</tr>
<tr>
<td>GERMANY</td>
<td>Y (1958)</td>
<td>Y (1999)</td>
</tr>
<tr>
<td>IRELAND</td>
<td>Y (1973)</td>
<td>Y (1999)</td>
</tr>
<tr>
<td>LUXEMBOURG</td>
<td>Y (1958)</td>
<td>Y (1999)</td>
</tr>
<tr>
<td>SWEDEN</td>
<td>Y (1995)</td>
<td>N</td>
</tr>
<tr>
<td>CZECH REP</td>
<td>Y (2004)</td>
<td>N</td>
</tr>
<tr>
<td>HUNGARY</td>
<td>Y (2004)</td>
<td>N</td>
</tr>
<tr>
<td>POLAND</td>
<td>Y (2004)</td>
<td>N</td>
</tr>
<tr>
<td>BULGARIA</td>
<td>Y (2007)</td>
<td>N</td>
</tr>
<tr>
<td>ROMANIA</td>
<td>Y (2007)</td>
<td>N</td>
</tr>
<tr>
<td>CROATIA</td>
<td>Y (2013)</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>28</strong></td>
<td><strong>19</strong></td>
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Violence and Greed: Politics in Southern Oregon 1852-1868

by

Patricia M. Kirtley
William M. Kirtley
Central Texas College
Introduction

Whilst that for which all virtue now is sold, and almost every vice – almighty gold.

Ben Johnson, Epistle to Elizabeth

Gold is precious; but, the desire to possess it is often dangerous, devious, and destructive. Gold mining as an occupation had few barriers for entry and the possibility of high rewards. One could always buy, borrow, or steal a shovel and a pan to mine alluvial deposits in a rushing streambed. The glittering temptation to take risks enticed miners of all social classes to gold rushes from Sutter’s Mill to Jacksonville, Oregon.

“Jackass miners,” so called because they possessed only a mule and a gold pan, sometimes struck it rich. However, the lone prospector soon found himself supplanted by higher capital and the complex organizations of placer mining, hydraulic mining, and quartz mining. His status changed from independent entrepreneur to laborer.

“Mine the miners,” became a fact of life. Middlemen supplying food, clothing, equipment, and entertainment, accrued the most money. Herman Francis Reinhart in The Golden Frontier (1962) recalled the exorbitant prices in the Southern Oregon gold rush. “Shovels were $12, picks $12, gumboots $32, hats from $5 to $8, blankets from $8 to $16 per pair, and whiskey for fifty cents per drink” (p. 35).

Gold, greed, and violence tell much about the partisan politics of Jackson County between 1852 and 1868. Local politics centered on the galvanizing reality that the miner started Indian Wars for personal gain. The mineworkers, led by politicians, newspaper editors, and lawyers mined the pockets of Uncle Sam when they could no longer mine gold, a pattern that persisted as the advent of the Civil War brought the issues of statehood, slavery, and secession to the politics of Jackson County.

Gold Rush in Southern Oregon 1851-1852

The mines were rich. Money was abundant, and gambling rampant.

I ought not to omit mention of the dance halls, which pointed the way to perdition.

Orange Jacobs, p. 62.

James Cluggage and John R. Poole, packers carrying supplies to California, discovered glittering specks of gold in Southern Oregon’s Daisy Creek during the winter of 1851-1852. They set up a townsite and called it, Table Rock City. Later, the inhabitants changed the name to Jacksonville.

Prospectors found nuggets ranging in value from $10 to $40 and $100 (Jackson, p. 1). Banker C. C. Beekman weighed the gold and paid $18.93 an ounce. When the Yreka Herald broke the news, miners from California rushed to the diggings known as Rich Gulch. By the summer of 1852, 1,500 to 2,000 gold seekers swarmed to the site. The territorial legislature created Jackson County on 12 January 1852. Jacksonville was the largest city in the state when Congress admitted Oregon to the Union in 1859.

Prospecting soon gave way to companies that hired men to work the claims. They made $2.50 to $3 in wages paid in coin per day. Chinese earned $1.25 to $1.50 per day, or $35 per month (Jackson, p. 1). Beaver state historian Arthur Throckmorton stated in Oregon Argonauts that no one knows the exact amount of gold found in Southern Oregon, but the most reliable estimates were that, in the middle 1850s, the area produced $1,250,000 annually (p. 168).

Miners described Jacksonville as a “shallow camp.” The gold deposits lay close to the surface. The best way to extract it was by digging or using pressure hoses to
wash out the gravel. Hard rock miners blasted very few quartz mines. The harsh climate affected gold mining in Jackson Country and determined the course of local history. There was only enough water to mine during the winter and spring. Heavy winter snows prevented the distribution of supplies. Local historian Larry Smith (2004) in his work *Rich Gulch* noted the constant cry of miners, “Water, we need water!” (p. 10).

The Rogue River Indian Wars 1853-1855

*Exterminate the Indians!*

Dowell, Letter to Bancroft

Swift flowing rivers, narrow valleys and the majestic Siskiyou Mountains provided opportunities for ambush and warfare. The Rogue River Valley contained a number of different Native American tribes: Modoc, Shasta, Takelma, Latgawa, and Umpqua. French trappers called them collectively, “Rogues.” Joseph Lane (1801-1881), a Brigadier General in the Mexican War, persuaded the Indians to allow whites to peaceably transit the area until the arrival of thousands of people seeking gold.

The first Indian War broke out in 1853. Attorney Benjamin Franklin Dowell (1826-1897) accused the Indians of starting the war in retaliation for the kidnapping of a Native American woman. Terrified settlers barricaded themselves in their homes after the Indians murdered several white men. John E. Ross (1818-1890), a veteran of the Cayuse Indian Wars, organized five companies of volunteers. Charles Stewart Drew, a Jacksonville merchant, served as his adjutant. Volunteers from Yreka, California responded to their request for help.

Lane arrived from his home in Roseburg, assumed command, and attacked the Native Americans. Eventually, an exhausted and wounded Lane asked his officers if they wished to continue. The Rogue River Indians were in a similar demoralized condition. They agreed to talk and settled for peace. Lane signed a treaty in September 1853 that established a reservation in the most desolate part of the Rogue River Valley. He petitioned Congress to pay his soldiers. They received $258,000 in June of 1855.

Several men opposed the ill treatment of the Native Americans. Samuel Colver (1815-1891) provided refuge for locals during the Indian Wars; but he accused the miners of starting the war. Lindsay Applegate (1808-1892), who helped blaze a trail from the Humboldt River to the Willamette valley, agreed. Abolitionist John Beeson (1803-1889) asserted that the Indians had left settlers alone, and attacked only the prospectors who penetrated deep into Indian hunting grounds.

The debate over the Indian Wars became a political issue throughout Oregon territory. Asahel Bush (1824-1913), editor of the *Oregon Statesman*, along with his “Salem Clique,” initially advocated a policy of Indian extermination and claimed that Lane’s first treaty with the Indians was too generous, since it relegated them to a desolate part of the Rogue River Valley, instead of removing them to a distant reservation. Acting on new information, Bush changed his mind and blamed the mineworkers for starting the Indian Wars to obtain money from the US government. This accusation so incensed the miners that they held a protest meeting. They feared that Bush’s accusation would jeopardize their claims for payment. Their worries were well founded. Congress delayed payment for two years while investigating their claims.

The second Rogue River Indian War broke out on 9 October 1855. Miners did not have enough water to mine gold and the government had just paid $258,000 for
claims from the 1853 war. These two conditions made war “especially appealing to the reckless miners and irresponsible merchants of Jacksonville” (Throckmorton, p. 186).

The Native Americans, suffering from starvation and disease, left the reservation at Table Rock and returned to their ancestral lands. The miners used this desperate action as an excuse to provoke another war. James Lupton (D), recently elected to the territorial legislature, recruited a force of volunteers from the saloons of Jacksonville and attacked a peaceful Indian village. They killed over thirty Native Americans and took many scalps. Most of the victims were old men, women, and children (Victor, p. 343). Drew claimed that, since the attack occurred before dawn, the volunteers could not distinguish between combatants and non-combatants. He stated that there were few adult male corpses found after the attack because the Indians removed the bodies during the course of the battle, “as was their custom” (Drew, Communication to US Senate, p. 29). The Native Americans killed only one person, Lupton. The raid eliminated the peaceable element among the Indians and incited the rest to retaliate.

Angry miners forced a defender of the Indians, John Beeson to leave the area. When he arrived in New York with his family, he wrote a letter to the New York Tribune (1856, September 30). He observed, “When the whole truth is known, I believe it will appear that Indians are less savage than some who assume to be civilized.” The editor of the Oregonian (Portland) attacked Beeson’s sentiments, “Self-style philanthropists at a distance may prate” but “subject to the ruthless hand of the savages,” they too would favor extermination (cited by Throckmorton, p. 186).

The principle battle of the war occurred when Lane’s troops defeated 200 Native Americans. In the course of both Indian Wars, 190 soldiers and countless Native Americans lost their lives. The military forced all Native Americans in the area to march north for 33 days to the Grand Ronde Reservation. Upon their arrival, the Rogue River Indians expressed anger and frustration with their new home. Historian Francis Fuller Victor (1891) rationalized their discontent, stating that the Native American children knew no other home and the elders “are at last content living a half civilized life, which compared to their former nomadic life, is one of indolent ease” (p. 420).

The miners of Jacksonville claimed recompense from the national government. Dowell represented the claimants, asking the government for $6,011,457.56. He arrived at this sum by a peculiar logic. While the Indians lived on the Table Rock Reservation, they were wards of the government. Therefore, the government should pay the entire cost of their suppression, the cost of guarding the trail to California, as well as, pay for private property damaged or destroyed during their insurrection.

Bush stated that the miners provoked Indian Wars for economic gain and that most of their claims were fraudulent. One of his followers in the Salem Clique charged that Ross and Drew started the Rogue River Indian Wars “for the purpose of swindling the government” (as cited in Throckmorton p. 186). Congress, alerted to possible fraud by Beeson and Bush, appointed a three-man commission to investigate these claims.

William Green T'Vault (1806-1869), gold prospector and Indian fighter, established The Table Rock Sentinel in 1856 and renamed it the Oregon Sentinel in 1858. T'Vault pummeled the opposition to the Indian Wars, promoted Joseph Lane, and convinced others of the correctness of his pro-slavery views. He utilized competitive, combative, vitriolic writing marked by personal invective, known as the "Oregon Style."

History assembled a remarkable cast for the political drama of Jackson County.
Lane directed one side composed of his military subordinates; lawyer Dowell; and newspaper editor T’Vault. Their vehicle was the Democratic Party as they labored to obtain money from the government. On the other side, Colver, Applegate, and Beeson, who represented the agricultural districts that supported the Republican Party, condemned their opponents’ cruelty and avarice. Lane’s supporters won most of the elections and secured a large amount of federal funds. The farmers held the moral high ground, but won only two elections, when the issue of loyalty to the Union overrode partisan considerations.

**Events Leading Up to the Civil War– 1856-1860**

*Some of the Southerners here are talking of seceding, but I guess it’s all gas.*

Beeson as cited in Pendleton

A vehement argument exists over whether slavery or states rights started the Civil War. Political scientists suggest the breakdown and realignment of political parties as an additional cause of the war. The Democrats and Whigs split into northern and southern wings over the issue of slavery. Each faction nominated a presidential candidate. Whigs, Know-Nothings, Abolitionists, and the Free Soil Party merged to form a new party, the Republican Party. This process occurred at national, state, and county levels with thousands of fascinating variations.

Jackson County Democrats retained their majority status and pro-slavery stance, even after the birth of the Republican Party. Democrats benefited from strong leaders committed to securing payment of the Indian War claims and control of the local newspaper, the *Oregon Sentinel*. T’Vault sold the paper to James O’Meara in October of 1859. It’s personal and acerbic tone remained unchanged as the citizens of Jackson County contemplated the divisive issues of statehood and slavery.

Colver and Applegate organized the Republican Party of Jackson County on 7 July 1856. Republicans believed in the prohibition of slavery in the territories, loathed Joseph Lane, and condemned the economic motives of the miners. Many were former Whigs, abolitionists, and prohibitionists. Those that gathered nominated candidates. Unfortunately, they met too late to affect the election that took place ten days later.

Lane, recently elected Territorial Delegate to Congress, introduced legislation that enabled the territory of Oregon to become a state, only to find Congress too occupied with events in Kansas to consider it. Many Oregonians felt that this delay would precipitate the same violence that took place in Kansas; therefore, they initiated the process themselves. The voters had to call for a convention, elect its members who drafted a state constitution, and send it to the people for approval. Only then could Congress authorize admission.

The gold miners of Jacksonville opposed statehood because they believed that it would endanger their chances of payment for the Indian War claims. Their votes helped defeat statehood in three previous elections. Bush, a recent convert to statehood, expediently mended relations with the Democrats of Jackson County. He endorsed Lane, as a candidate for President and promised him his full support for US Senator from the new state of Oregon. He reversed his opinion on the Indian War claims and advocated that the government pay them in full. Yet, Bush revealed the depths of his duplicity in his private correspondence when he described Lane as a “thick skulled old humbug” (as cited in Woodward, p. 83).
On the threshold of gaining statehood, Bush faced opposition from dissident Democrats, called Nationals, who nominated candidates in several Oregon counties including Jackson County. W. L. Adams, editor of the *Oregon Argus*, a Republican paper printed in Oregon City, detailed the dissention and described the pro-slavery stance of Jackson County Democrats. In an article, “Trouble in T’Vault’s (sic) Cabinet,” the caustic editor described T’Vault at a pro-slavery rally in Jacksonville. "T’Vault’s face was “radiant with rum flushed with the hope that the poor devil would one day own a $300 nigger” (1857, June 13, p. 2).

Bush won the support of Jackson County. In 1857 the voters of Oregon approved a constitutional convention. The electorate of Jackson County sent four Democrats as delegates and re-elected Lane as Territorial Delegate to Congress. The convention met in August 1857. T’Vault introduced a resolution providing for the protection of slavery and excluding free Negroes and mulattoes from Oregon. He feared free Blacks and runaway slaves might find refuge among the Indians and foment trouble. The delegates referred the resolution and the constitution to the voters.

Pro-slavery Democrats challenged Republicans to debate on slavery in the nearby town of Gasburg. A bookkeeper from Jacksonville, argued that slave labor in fields of the Rogue River Valley could make up for a shortage of field hands. A local miller, worried about the social effects, if Oregon allowed free Blacks into the state. Samuel Colver retorted that miscegenation occurred more in slave states than in free states. Orange Jacobs (1827-1914), a miner, lawyer, and newspaper editor, gave an hour-long oration on the immorality of slavery.

The voters of Oregon adopted a Constitution on 9 November 1857. Article I, Section 34 outlawed slavery. Article I Section 35, excluded free Negroes and mulattoes. Other states passed exclusion laws, but only Oregon enshrined such legislation in their Constitution. Voters repealed it in 1926. Oregonians viewed these decisions as proof that they could act on the principles of popular sovereignty without resorting to violence.

Democrats sponsored two debates in Jacksonville in April 1858. Four hundred people listened to Delazon Smith, a National Democrat, for two hours. J. Kelly and James O’Meara, Candidates for Congressional Representative and state printer, each gave one-hour speeches. Three hundred people gathered the following month to hear an anti-slavery Democrat, declare that the Webfoot state was not suited to slavery. A letter to T’Vault, editor of the *Oregon Sentinel* stated that Williams believed “that a white man is as good as a nigger” (1858, June 5, p. 2).

Election returns in June 1858 favored the Democrats. The support of the Salem Clique for the claims against the government for the Indian Wars ensured victory. On 14 February 1859, President Buchanan signed the bill and Oregon became a state. The “Union” state’s first two US Senators were Delazon Smith and Lane who expressed regret that Congress did not admit Oregon as a slave state.

Jackson County politics centered on the issue of slavery and payment of the Indian War claims. Lack of water hampered mining operations. This, coupled with an economic depression, made locals desperate to secure funds from the government. US Senator Lane failed to persuade Congress to appropriate the money.

T’Vault expressed his racist views in the *Oregon Sentinel*. He pilloried “Black” Republicans in Congress who objected to Oregon’s vote forbidding free Negroes from living in Oregon. In an article entitled, “To the Democracy of Oregon,” he asked, “Are
you willing that Negroes or mulattoes should marry your daughter or that your son or brother have legitimate issue from a Negro or mulatto?" (1859, July 20, p. 2).

Relations between the Salem Clique and Jackson County Democrats deteriorated after Bush achieved his goal of statehood and the coveted job of state printer. He tried to deflect the argument of Southern Oregonians who contended that his claims of fraud delayed the Indian War claims by blaming Lane. Bush charged that Lane deliberately avoided acting on the payments in order to enjoy the continued support of Jackson Country Democrats.

Lane entertained Presidential aspirations at the Democratic National Convention in April 1860. However, the convention split on sectional lines. The Northern and Southern wings of the Democratic Party met separately. The Southern wing nominated John C. Breckinridge with Lane as his vice-president. The northern wing nominated Stephen F. Douglas. In Oregon, Bush distanced himself from Lane and the pro-slavery views of his adherents. He united with his old enemies, the National Democrats, in support of Douglas. The Republicans took advantage of Democratic divisions, gained control of the State Legislature, and elected two US Senators, one a Republican and the other a Douglas Democrat.

Abraham Lincoln won a majority of the votes in the Electoral College in the election of 1860 and carried Oregon by 270 votes. Jackson County voted for Breckinridge and Lane (See appendix A). O'Meara, ever the partisan Democrat, groused that he stayed at home on election night and that the shouts and shots from local Republicans disturbed his rest (Deady papers, 1860, November 19).

Demographics provide insight into the politics of Jackson County. There were 3,616 people living in the county, predominantly male. Most came from mid-western states with few directly from New England and slave states. The voters in the town of Jacksonville and mining precincts voted for the Democratic Party. The agricultural precincts supported the Republican Party. The township of Jacksonville contained 600 people. Most engaged in occupations that catered to those that worked the gold fields: merchant, baker, attorney, washerwoman, saloonkeeper, and barber. The 1860 census classified mineworkers in Jacksonville as white (64), Sandwich Islands (Hawaiian) (38) and Chinese (11) (US Census 1860).

Economic unrest plagued Jackson County. Placer mining declined as prospectors depleted the shallow surface gold deposits. Quartz-rock mining proved financially unprofitable. New discoveries in Idaho attracted many of the gold seekers. The miners knew from experience that the best way out of economic doldrums lay in payments from the government for the Indian Wars. To that end, they backed the Democrats, supported Lane, and subscribed to the Oregon Sentinel.

The Early Years of the Civil War 1861-1862

If to be true to his friends and to open in his hostilities to his enemies…

if this is to be a traitor then General Lane is a traitor.

O'Meara, Oregon Sentinel. 1861, May 18, p. 2.

James O'Meara, “a stormy petrel” in the history of Oregon Journalism, aggressively reported rumors of secessionist activity in Southern Oregon (Turnbull, p. 103). He moderated his stance after the firing on Fort Sumter; but it was too late. Those loyal to the Union refused to buy advertising, and his newspaper drifted into insolvency.
in 1861. In his valedictory, O’Meara prayed that Westerners would put aside their differences in the hope that they could, “escape the war in the East” (as cited by Turnbull, p. 255).

O’Meara sold the *Sentinel* to a strong Republican, who hired the redoubtable Orange Jacobs as editor. The Democratic press did not lay silent for long. O’Meara purchased an unused printing press and began publishing the *Southern Oregon Gazette* a few months later. Responding to Jacob’s allegations of treason, O’Meara swore that Jackson County Democrats were loyal to the Union and cited the enthusiastic response of local miners to Union Army recruitment as evidence.

Relief from tight economic conditions came after Lane’s appropriations bill for the Indian Wars passed a Republican Congress. Officials of the Treasury audited the claims in February and Congress appropriated the money in 1861. Notices appeared in the *Oregon Sentinel* giving times and places of payment in April. Some claimants expressed discontent because the government reduced the amount of the claim, from $6,011,457.03 to $2,714,808.55, and redeemed the script used in lieu of cash at face value (Throckmorton, p. 196). Claimants doggedly hoped that Congress would eventually pay the full amount.

The citizens of Jackson County demonstrated support of the Union at numerous flag raisings. However, one flag raising by Southern sympathizers gained notable attention. Secessionists raised the Confederate flag in Jacksonville in front of city hall. The flag did not fly long. Mrs. Zana Ganug, a seamstress married to the town druggist, armed herself with an axe, marched up to the flagpole, and chopped it down. She burned the offensive banner in her fireplace. Jacksonville’s would-be Confederates did not attempt to confront so formidable a woman again (Ross Family Scrapbook).

Joseph Lane returned to Oregon upon the expiration of his term of office. His reception in Portland was cool and at times hostile. Asahel Bush started a rumor that Lane shot himself while transporting a large quantity of arms to Southern Oregon for the purpose of arming a group of men to secede from the state (Hendrickson, p. 250). Although Lane did accidentally shoot himself, the large quantity of arms included only a few hunting rifles. Lane returned to his farm in Roseburg and retired from politics. He and his wife, Polly, devoted themselves to raising their ten children.

The district military commander promoted Drew to the rank of Major and ordered him to recruit troops for the Oregon Volunteer Cavalry. Eighty miners received a bounty to join the Union Army with the understanding that they would fight Indians, rather than Confederates in the East. Drew established a garrison at Camp Baker five miles west of Jacksonville. Local farmers complained that the soldiers supplemented their meager rations by raiding local hen houses. Sergeant O. E. Stearns told of taking half the night to walk inebriated soldiers from the saloons of Jacksonville back to their camp (*Reminiscences*, p. 23).

Lindsay Applegate believed that he was more fit for command of the local garrison than Drew. He charged that Drew was a Democrat with secessionist friends and encouraged Drew’s second in command and other disgruntled soldiers to voice complaints about their commanding officer. The military commander of Oregon did not know how to deal with such divisiveness. In response, he transferred control of the Jacksonville Volunteers to San Francisco, an even more distant command.
O'Meara derided Applegate’s military ambitions. He wrote it was ironic that a man who blamed the miners for the Indian Wars should want to head a force ostensibly raised to suppress the Indians. O'Meara pointed out that there were no Native Americans left in Jackson County and charged that the only reason for the presence of Union soldiers at Camp Baker was to ensure the loyalty of local Democrats.

One Democrat complained in a letter to the Oregon Sentinel entitled “Where are the Secessionists?” that “The nights and even the days of the citizens of Jacksonville, were made hideous by loud and repeated hurrahs for Jeff Davis” (1862, 24 May, p. 2). Those favoring secession formed the Knights of the Golden Circle. Orange Jacobs, Republican editor of the Oregon Sentinel, stated the mission of this group was to harass Union supporters. In response, Republicans formed the Union league; a group dedicated to preserving loyalty and protecting their members from local secessionists.

Both State and County Republicans opened their conventions to Democrats, who supported the Union, in preparation for the mid-term election of June 1862. This political strategy proved effective. Voters elected Union candidates for Congress, Governor, and sent Applegate to the State House of Representatives. Local Democrats took comfort in the fact that, they possessed able leaders, a newspaper dedicated to their interests, and remained the largest party in the county.

It took two months for the shocking news of the firing on Fort Sumter to reach Jacksonville. O'Meara’s hope that the west could avoid the bloodshed of the east echoed popular sentiment. Most people expressed loyalty. For the miners, this meant joining the Union Army to escape poor economic conditions. Others participated in flag raisings and listened to vile, spirited speeches about their political opponents. Those who received payment of their Indian War claims recognized that the US Government, not the Confederacy, was the source of funds for future payments.

The Civil War Continues 1863-1864

George was never convicted of a crime, but every one regarded him as a bad Indian.
Dowell, Oregon Sentinel, 1863, November 28, p. 2.

While thousands died on the battlefields in the east, Oregon Republicans fretted that a lack of enthusiasm for enlistment would adversely affect their political prospects. They appointed a number of local Republicans as recruiters, but failed to enlist enough men from Jackson County to form a company. Most likely, this occurred because the troops already quartered at Camp Baker were unpaid and poorly supplied. These disgruntled soldiers complained, were disobedient and disloyal to their officers, and spent much of their free time drinking in the saloons of Jacksonville.

The soldiers at Camp Baker received their first pay in over a year in the spring of 1863, $40,000 in all. Drew, their commander, reminded his superiors that the government removed all local Native Americans to Grand Ronde and that the best use of his forces was to monitor the activities of the Modoc Indians and protect the trail to the gold fields in Idaho. He asked their permission to move his garrison from Camp Baker to Klamath Lake, sixty-six miles southeast of Jacksonville. Drew received authorization and relocated his troops to Fort Klamath in July of 1863.

Union leaders vigorously opposed this relocation. They wanted to keep a close watch on Drew's activities and argued the economic advantages of Camp Baker outweighed the loutish behavior of its troops. Lucien Applegate, Lindsay’s son, noted in
a letter that a military presence had a quieting effect on the “Secessionists of Southern Oregon” (1863, August 5). A. E. Rogers, Klamath Indian Agent, wrote that the site of the new fort was ill chosen, and the presence of Drew’s troops was a hindrance to keeping the peace (1863, August 19).

The soldiers constructed their quarters at Fort Klamath before the onset of winter. Some deserted, others took Indian wives. When Indian George, a well-spoken Modoc leader, complained, Drew executed him. In April 1864, Drew embarked on an expedition to map the trail from Fort Klamath to Fort Boise and to scout likely Indian hiding places. A group of merchants accompanied him with the expectation that their goods would bring high prices in the Idaho mines. Drew completed his exploration without meeting a single hostile Indian. The Republicans of Jackson County criticized Drew’s actions, but a military hearing cleared him of all charges.

Two key elections took place during 1864 in Oregon. In June, the people elected a Representative to Congress and a state legislature that in turn, elected a US Senator. In November, voters cast their ballots for President of the United States. Oregon’s Union party united those who favored continuation of the war and the preservation of the Union. The platform of the Democratic Party emphasized loyalty, but condemned a war to free Black slaves and endorsed the principle of States’ Rights.

Dissent disrupted the Jackson County Union Party. Lindsay Applegate and Orange Jacobs both coveted the party’s endorsement for Representative to Congress. They disliked each other intensely. Applegate condemned Drew’s activities at Fort Klamath, while Jacobs supported them. Applegate’s unpopular stand cost him the party endorsement. However, Jacobs failed to gain the nomination from the state party.

The Democratic press went through a number of changes as various owners failed to earn a living. T’Vault returned from the Idaho mines and published the Oregon Intelligencer. He sold it to Democrats J. N. T. Miller and James D. Fay in 1864. The Democrats remained unified despite the fact that they lacked consistent support from a newspaper. Their state platform accommodated both pro and anti war advocates. The local party nominated a former National Democrat for Representative to Congress and pro-slavery T’Vault for county district attorney.

Fay, a lawyer from South Carolina, emerged as one of the leaders of the local Democratic Party. Matthew Deady of the Oregonian described him as “florid, fluent, ready, and impudent” (as cited in Woodward p. 218). Fay married Gertrude, daughter of Republican Jesse Applegate on 22 October 1864. At the wedding, Applegate called Fay a damn liar and ripped his daughter’s name out of the family Bible (Bancroft p. 571).

Fay and his fellow Democrats stumped the county in the first major election of 1864. They reminded listeners that Lincoln had suppressed civil liberties and emphasized that the Republicans had enacted a tax on mining. They supported Drew’s military actions in Klamath County and insisted that Republicans had brought charges of fraud for political reasons. The Democrats swept the election.

The second major election in 1864 was the Presidential election. Lincoln continued the policy of fusing parties. His vice-Presidential candidate Andrew Johnson (D) graced the Union ticket as a means of garnering Democratic votes. General George McClellan, Lincoln’s Democratic opponent, capitalized on the North’s war weariness and promised peace. In Jacksonville, a strong Democrat delivered an oration on behalf of McClellan from the balcony of the US Hotel.
Dowell, who favored the election of Abraham Lincoln, took over the Oregon Sentinel from Jacobs in July 1864. Lincoln won in the Electoral College by a comfortable margin and lost only nine counties out of twenty in Oregon, one of which was Jackson County. Lincoln lost in Jackson County because personality conflicts divided the Union party. Democrats won because of the able leadership of politicians bound together by shared experiences in mining and the Indian Wars.

Aftermath of War and Reconstruction 1865-1868

Grant will prove one of the wisest and most charitable Presidents we have had.

The demographics of Jackson County changed at the end of the Civil War. The mining population declined as extraction of gold became less profitable. Some miners joined the Union Army, others left for new gold fields. An influx of small farmers balanced this population loss. These farmers brought new leaders to the Democratic Party. J. N. T. Miller replaced T'Vault as chair of the Democratic Party. Miller and Fay started a new Democratic paper, the Oregon Reporter, with F. J. Malone as editor. This made for a lively debate between Democrats and Republicans. The principal national issues concerned readmitting the states of the South and election of a new President. The principal local issues involved rancor, racism, and rumors.

Dowell, editor of the Oregon Sentinel, didn't let politics stand in the way of representing a client. T'Vault charged that Fay and Miller failed to pay all the money they promised when he sold his press to them. Ever the opportunist, Dowell sided with his enemy, T'Vault, represented him in court, and won a favorable verdict.

However, his editorial policy did not change. Dowell published a letter to the editor on 29 April 1865 after the death of Lincoln, in which the writer reacted with bitterness to charges in the Democratic press that the country was better off without him. The anonymous writer lashed out at the Democrats, “Take your last look upon your dying Confederacy and your once glorious institution” (“Fay and Treason,” p. 2). Despite such raw emotion, both the Democratic and Republican papers supported President Andrew Johnson (D) and his plan of reconstruction.

The Secretary of the Interior announced further payment of claims from the Indian war of 1853. The notice listed the claim number, amount claimed, and amount paid to various individuals for homes and property damaged by the Rouge River tribe (Oregon Sentinel. 25 March 1865, p. 2). Fay immediately criticized Dowell’s $13,000 fee for prosecuting these claims (Dowell Papers 1865, March 29, p. 281).

Jackson County Democrats looked forward to the mid-term election of 1866, an election that focused on the policies of President Andrew Johnson. They nominated Fay for Congress, Miller for State Senate, Ross, Foudray, and Glen Mills for the state house of representatives. Unionists vilified their Democratic opponents. Dowell quoted secessionist statements supposedly made by Fay and charged that it was not the Republicans, but the Democrats, who were “willing to count the votes of Chinamen, Kanakas, and Niggers” (Dowell, 1866, Papers). Congress’ support of freedmen so alarmed local Republicans, including Colver, that they defected to the Democrats.

The election was disastrous for the Republicans. Dowell and Jacobs lost races for judgeships. Dowell argued the defeat came about because the government paid the
Indian War claims with devalued currency. Others said that it occurred because a large number of Southerners immigrated to Jackson County.

The local Democratic Party met on 7 March 1868 in preparation for the state convention. There was some friction among party members, but they united in defense of President Andrew Johnson. They selected Ross as their representative to the state convention and endorsed T'Vault as county district attorney. After the state convention, T'Vault and Fay held a meeting of the party faithful in Jacksonville. They reapportioned representation among the precincts, petitioned the state party to repudiate Chinese immigration, and grudgingly accepted the state party platform.

Jackson County Unionists re-assumed the title of Republicans in 1868. They selected Jacobs, Beekman, and six others to attend the state convention. Both parties canvassed Jackson County. The Democrats emphasized questions of race, while Republicans harped on the issue of loyalty. The Democrats won overwhelmingly in the June election. In an article under an inverted masthead, titled “County Election,” Dowell wrote, “The Republicans delighted in defeat” (p. 1).

Ulysses S. Grant was the Republican candidate and Horatio Seymour the Democratic candidate in the 1868 presidential election. Enthusiastic adherents for both candidates ensured a lively campaign in Jackson County. Dowell returned from his lobbying efforts in Washington D. C. to campaign for Grant. A rally for Seymour in Jacksonville drew a large and attentive crowd. In a debate between representatives of both candidates, Jacobs argued passionately for Grant. A Seymour Democrat won the audience with a diatribe that condemned Congress for the enfranchisement of freedmen. Grant carried the nation and the state, but Seymour carried Jackson County (See Appendix B). Dowell heralded the Republican victory in the Oregon Sentinel with the headline, “God, Grant, and Victory!!!” (7 November 1868, p. 2).

A local myth persists that one miner buried a cache of gold in Democratic leader Miller’s fields and when the miner returned to the site, he could not find it. This story is a metaphor for politics in Jackson County. The mines played out, the miners received one last payment for the Indian Wars and moved on. According to the legend, the only significant amount of gold lays buried in a field. The Democratic Party continued its dominance, but now represented small farmers. Seymour, the Democrat, carried Jackson County, but Grant, the Republican, won nationally.

Conclusion

Colorful partisan politics characterized Jackson County between 1852 and 1868. Gold lured prospectors to the area and held them until the demise of the mining industry around 1868. Miners and merchants brought with them their own particular backgrounds, personalities, and political affiliations. These attitudes affected politics and the structure of political parties.

Jackson County played a strong role in territorial and state politics. The miners deliberately provoked a brutal war with Native American tribes to gain reimbursement from the Treasury Department. Local Democrats clashed with the Salem Clique over the legitimacy of these claims. This led local voters to first oppose and then endorse statehood. The Indian Wars, their cause, conduct, and claims for reimbursement, dominated the politics of the time.
During the Civil War a majority of people remained loyal to the Union. Flag raisings, secret societies, and newspaper suppressions evidence support of Democratic principles rather than traitorous sentiments. Jackson County citizens supported the Union ticket only in 1862 and 1868. Patriotism was high, and in the emotion of partisan politics, Unionists labeled all Democrats as secessionist. Members of both parties expressed racist views throughout the Civil War and Reconstruction periods.

The lyrics of the Oregon state song praise the determined and hardy founders of the “land of heroes” as the “fairest and the best.” Because terms like violence and greed are not usually associated with the pioneers of Oregon, an apologia is necessary. History consists of more than a hagiography of the state’s first citizens. The discovery of gold in 1851 brought prospectors to Jackson County from all social classes with faults and failings, as well as, hopes and dreams. There are a few heroes in this story, but they too had their faults. This story of the early politics of Jacksonville presents a realistic portrayal of people motivated by self-interest who survived in the unforgiving landscape of the frontier.

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**Appendix B** – Election Returns (1868, November 14) *Oregon Sentinel*, p. 2

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Farmland Preservation in Liuzhou City

Zi Lin
Central Washington University
Abstract

This study explores the farmland preservation system of Liuzhou City. Due to increasing population, industrialization, and urbanization the per capita availability of usable land in China is very low and will continue to decrease making the demand for land extremely high. This puts tremendous pressure on the best farmlands, causing farmland overall to decrease in both quantity and quality. Chinese government has realized that both the land law and management systems must be reformed to preserve and recover the farmland required to meet agricultural production goals. Farmlands in Kittitas County and throughout Washington State faced pressures that were producing similar results. The State recently enacted comprehensive reforms which require the county to manage growth and preserve its best farmlands. Since the City in China stands in the same relation to its counties as the state does in the US, it provided a unique opportunity to examine local farmland preservation efforts within an overall reformed growth management regime through which successful practices were discovered. The project concludes with recommendations for adapting the most promising practices for incorporation into Liuzhou’s efforts to improve the management system of farmland preservation.

Introduction

Farmland is disappearing all around the world. The main reason for this in China and the United States is urbanization. Up to a certain point “development” meant increasing the amount of farmland, but as industry matured the growth of cites reversed the trend. In China, with its large population, loss of farmland threatens food security; but at the same time, its policy industrial expansion requires more land and the best farmlands are usually also best for this purpose. In Liuzhou as increasing population, industrialization, and urbanization require more land the quantity and quality of farmland is decreasing. Since farmlands are the foundation of agriculture, the demands of food security and industrial expansion must be balanced. The Chinese government has realized that both the land law and management systems must be reformed to preserve and recover the farmland required to meet agricultural production goals: How can this be done? This paper seeks to answer this question by examining some local “best practices” in the United States. As a developed country, the United States has faced similar problems for a long time and accumulated a wealth of experience. Strategies, including legal, administrative, and economic measures, have been implemented to solve such problems. Since the City in China stands in the same relation to its counties as the state does in the US, Kittitas County, Washington provided a unique opportunity to discover successful practices by examining local farmland preservation efforts within an overall reformed growth management regime. Before proceeding to the comparative analysis, and recommendations for adapting the most promising practices for incorporation into Liuzhou’s efforts to improve farmland management, essential definitions and background will be discussed,

Farmland

Farmland is a complex space of artificial and natural climate, topography, vegetation, soil and microorganisms and other natural elements and artificial inputs, including cultivated land, garden, grass, water aquaculture, and so on. Most studies in China define farmland as cultivated land or land being used for farming. Consequently, this is
the definition that is used in official statistics of land resources management in China and is the definition used when speaking of preservation.

**Farmland Resources in China**

According to Chinese official statistical data, the quantity of per capita cultivated land is very small. Although there are 646,168,400 hectares of arable land for farming, only 135,163,400 hectares are presently cultivated, with a population of over 1.35 billion (Ministry of Land and Resources of the People’s Republic of China, 2014). The statistics also show that only 2.9% of the cultivated land is of high quality while 53 percent of it is rated medium that leaves 45% in the low quality range (Ministry of Land and Resources of the People’s Republic of China, 2014). Low quality land produces fewer crops. Finally, statistics show a rapid reduction of cultivated land. In 2009, the total area of cultivated land was 135,384,600 hectares; because of urban growth, disaster, agricultural restructuring and other reasons, the total area of cultivated land was 135,163,400 hectares in 2013 (Ministry of Land and Resources of the People’s Republic of China, 2014). During that time, the decrease in the area of cultivated land was 778,800 hectares (Ministry of Land and Resources of the People’s Republic of China, 2014). To illustrate the dynamics of land loss, Figure 1 shows the change of cultivated land area from 2009 to 2013 and Figure 2 shows the amount of land placed under cultivation and the amount of land taken out of cultivation each year from 2009 to 2013.

Conflict about land and land use are very serious in China. The sources of conflict are: food, development and income. Farmlands, including cultivated land, are the main source of food. In China, 25% percent of the world’s population must be fed by less than 10% of the world’s cultivated land (Zhu, 2011). With the rapid development of Chinese economy, urbanization, and population growth, China’s agricultural security is becoming a problem. Since urban managers must pay more attention to the development of the economy, they often ignore the importance of farmland preservation and permit landowners to build on high-quality farmland to accelerate economic development. As a result, Chinese cities have been expanding too fast.

Another aspect is that farmers can make much more money working in the city than farming land. Overtime the able bodied men go to the city leaving only children, women, and elders in the countryside. Because they cannot fully exploit the farmland it turns into open space. That is the so-called “empty village” phenomenon in China’s rural areas (Fend Deng, 2012).

**Farmland Resources in Liuzhou City**

In addition to these commonalities, Liuzhou City has its own unique problems shaped by its geography and economy. Liuzhou City is located in north central of Guangxi Zhuang Autonomous Region in the south of China (See the figure 3). The city is mountainous and the Liujiang River zigzags through it. There is an old saying, “eight mountains and eight waters for each piece of land”. This natural geomorphologic landscape is, consequently, an extremely limiting factor in Liuzhou. Furthermore, as the second largest city in Guangxi Zhuang Autonomous Region, Liuzhou has always prided itself on being the industrial center and the fastest growing industrial city in the region. Consequently, as can be seen in Figure 4, development of the economy is eating the best farmland and producing urban sprawl.

The cultivated land loss was 17,178 hectares from 2009 to 2013(see table 1). During
that time, the population in the urban area of Liuzhou City increased by 47,900 people; the average increase of population per year is 124,100 people (see table 2). When these results are combined in figure 5, it is easy to see why the conflicts over land are so intense in Liuzhou.

**Problem Statement and Purpose**

The outcome of urbanization is the conversion of rural land into urban land, and the reduction of farmlands. This is a problem for Liuzhou because China’s west region development plan makes Liuzhou City responsible for leading the development of industrialization in Guangxi Zhuang Autonomous Region. This paper develops growth management and farmland resource protection practices for the city by examining how similar problems were addressed in Kittitas County, Washington. The purpose of this study is to improve farmland preservation system in Liuzhou City. Thus, the research questions are:

1) What are problems and issues of farmland preservation system in Liuzhou City?
2) What practices have resulted in successful farmland preservation in Kittitas County?
3) What can be learned from Kittitas County to improve farmland preservation in Liuzhou City?

Close examination of The Washington State Growth Management Act (GMA), the Kittitas County Comprehensive Plan and their application in Kittitas presented opportunities to adapt management techniques for application in Liuzhou. The results suggest that farmland preservation in Liuzhou City needs public participation, more transparent and open management, and that a local vision of rural character needs to be developed to foster unique land use patterns that protect the quantity and quality of farmland.

**Research Design and Methodology**

A descriptive comparative analysis of Liuzhou City, China and Kittitas County in the United States that examines legal, administrative, and economic measures employed to improve farmland preservation and an application of best practices to improve farmland management in Liuzhou City. This section is divided into four parts: (1) the rationale for the selected study area, (2) the study design, (3) data collection and analysis and (4) the limitations of the research and suggestions for further study.

**Rationale** - To protect farmland, *Guangxi Zhuang Autonomous Region Land Administrative Law Implementation Measures*, the overall plan and annual plans for land use, is the basis for regulating farmland preservation in Liuzhou City. *Guangxi Zhuang Autonomous Region Land Administrative Law Implementation Measures* (LALIM) is the regulatory framework established by the provincial government. However, since provincial governments lack legislative power, these measures are not definitive law in China. In the United States, the states occupy roughly the same position as provinces in China, but they have real legislative power. The Washington State Growth Management Act (GMA) is similar to the LALIM in the American farmland management system. Like Liuzhou City, Kittitas County has a Comprehensive Plan that is continually updated.

Although Liuzhou City cannot unconditionally copy the model of Kittitas County,
because they differ in land resources, population size, economy and land ownership systems, there are important similarities. Whereas, Liuzhou City contains several counties; Kittitas County contains several cities. The problems of the county are like the problems Liuzhou faces in its six counties. Kittitas County as a rural county that protects a large amount of land for public open space, both in terms of total acreage and as a percentage of total land area does not directly control the cities within its jurisdiction so the collaboration prescribed by Chinese scholars is a constant. For these reasons and because it is an example of farmland protection within an overall superordinate growth management system effective management patterns in Kittitas County can be adapted for use in Liuzhou.

**Study Design** – After comparing the two areas in terms of management practices, protection measures and farmers’ attitudes, the problems and issues of the farmland preservation system of Liuzhou City are explored and lessons are drawn from the farmland preservation experiences of Kittitas County.

The purpose of the comparative analysis is to explore the weakness of farmland preservation in Liuzhou City, discover the strengths of the Washington system and develop a model of farmland protection for Liuzhou City.

**Data**

- Official farmland resources statistics for China were obtained from the website of Ministry of Land and Resources of the People’s Republic of China, Department of Land and Resources of Guangxi Zhuang Autonomous Region, and annual work reports of Liuzhou Municipal Land Resources Bureau.
- Official data and information related to farmland preservation in the USA were obtained from the websites of Kittitas County and Washington State.
- The director of the Farmland Preservation Office of Liuzhou Municipal Land Resources Bureau was interviewed regarding the management of farmland preservation in Liuzhou City.
- A Planner from Kittitas County Community Development Services was interviewed regarding including the laws and regulations governing farmland management and land use planning.

**Limitations** – The study is too dependent on legal and administrative documents for farmland preservation because there are no case studies of practice in either of the study areas. A next step should be detailed case studies.

**Analysis and Results**

Table 3 gives a brief description of the two systems in terms of the three dimensions of farmland preservation.

**Farmland Preservation System in Liuzhou City**

**Management Department.** Liuzhou Municipal Land Resources Bureau is the main land management department of local government; it is in charge of planning, managing, and reasonably using the natural resources such as land and mineral resources.

**Farmland Preservation Measures in Liuzhou City.** *Guangxi Zhuang Autonomous Region Land Administrative Law Implementation Measures* was enacted and adopted in
These regulations seek to protect, develop, use, and manage land resources in Guangxi Zhuang Autonomous Region. All levels governments required to:

- Cherish and rational use land resources, and to effectively protect farmland
- Maintain the socialist public ownership of land.
- Protect the legitimate rights and interests of land owners and users.

The implementation measures require:

(1) The governments at all levels should draw up the overall plan for land use in their administrative areas. In accordance with the land use control system, land should be used strictly in line with the purposes of land use defined in the overall plan for land use whether by units or individuals. Without approval, the usages of land defined in the overall plans for the utilization of land shall not be changed, especially for cultivated land.

(2) Once cultivated land is requisitioned, new land owners and users must compensate the original land owners and users. The compensation for attachments and young crops on the requisitioned land usually belong to the users of the land, farmers.

(3) The State applies a system of protection for capital farmland. According to the Law, cultivated land of the following categories shall be included in the protected capital farmland in accordance with the overall plan for land utilization and be placed under strict control: (1) cultivated land within bases of grain, cotton and oil crops production, which are designated as such with the approval of the departments concerned under the State Council or of the people's governments at or above the county level; (2) cultivated land with good irrigation and water and soil conservation facilities as well as medium-and low-yield fields that are under improvement according to plan or that can be improved; (3) vegetable production bases; (4) pilot fields for scientific research or teaching of agriculture; and (5) other cultivated land that should be included in the protected capital farmland on the basis of regulations of the State Council.

(4) The annual plan for land use includes index of farmland conversion, index of total area of cultivated land, and index of land development and consolidation. The governments at or above the county level must follow these indexes. The index of farmland conversion is used to control the urban sprawl. The index of total area of cultivated land is used to cover the least cultivated land area. Finally, the index of land development and consolidation is used to guarantee the increase area of cultivated land every year.

**Farmers' Attitude to Farmland Preservation in Liuzhou City.** Land in China is divided into two types: urban and rural. Farmland mostly belongs to rural land. In China,
the land belongs to the country and the collective on the basis of the Constitution and the Land Administrative Laws, which expressly rule the land ownership and the right of use. However, the ownership, benefit from and disposition of interests of land are not clear enough. Since the owner and user of the state-owned land are not the same, the government can cancel and alter the right to use the land. 70 years is the lease duration of urban land, which is owned by the state and leased to developers, enterprises and private owners. As a result, the users always worry about losing the right of using the land. Therefore, they sometimes try to hold the land for a longer term illegally. There are other problems with lands collectively owned by peasants. The owners are the whole collectivity of individuals, but the usage of the land is allocated to the individuals in the collectivity. 30 years with extension option is the lease period for collective rural land that used by collective farmers. These individuals are keen on having land, but do not have high protection awareness and often fail to take care of land resources.

Farmland Preservation System in Kittitas County

Management Department. The mission of Kittitas County Community Development Services is to assist the citizens of Kittitas County in planning for the use and development of land and buildings while protecting public health and safety, sustaining a vibrant economy, promoting the conservation of natural resources, and protecting the environment.

Farmland Preservation Measures in Kittitas County. In America, the growth management in Washington took on new meaning with the passage of the Growth Management Act (GMA) by the Washington Legislature in 1990 (Community Development Services, 2011). It is a state law that requires state and local governments to manage Washington’s growth by identifying and protecting critical areas and natural resource lands, designating urban growth areas, preparing comprehensive plans and implementing them through capital investments and development regulations. This approach to growth management is unique among states.

In the light of the overview of the Growth Management Act, all cities and counties in Washington State are required to:

- Designate and protect wetlands, frequently flooded areas and other critical areas
- Designate farm lands, forest lands, and other natural resources areas
- Determine that new residential subdivisions have appropriate provisions for public services and facilities

The GMA requires the fastest growing counties and the cities within them to plan extensively in keeping with state GMA goals on (Washington State Legislature, n.d.): urban growth, reduce sprawl, transportation, housing, economic development, property rights, permits, natural resource industries, open space and recreation, environment, citizen participation and coordination, public facilities and services, and historic preservation.

A comprehensive plan guides the location, density and intensity of future development, conserves natural resources, and ensures adequate public infrastructure to serve future residents and employees. It includes policies about how future growth
should occur and a map identifying locations for residential, commercial, industrial, and other land uses. A comprehensive plan must show that adequate infrastructure and services to support future land use are planned and financed. A comprehensive plan provides property owners with predictability about future land use patterns and guides local government decision-makers.

**Farmers’ Attitude to Farmland Preservation in Kittitas County.** The United States has multiple land ownership including both public and private. Privatization of land means that all land has an owner, both individuals and governments can own the land. Every owner must have land warrants, and there are few disputes over land. Everyone has responsibility for protecting their private land and preventing someone else from illegally claiming the land. Benefiting from the clarity of land rights and responsibilities, few people illegally use land. Each person is both a user and a supervisor. Furthermore, due to the effectiveness of environmental awareness training the residents of Kittitas County are generally concerned with protection the environment.

**Comparative Analysis**

Table 4 highlights the differences between the two farmland preservation systems.

**The Problems and Issues of Farmland Preservation in Liuzhou City**

The comparative analysis of these farmland preservation measures implemented in Liuzhou City and Kittitas County revealed the following problems and issues with Liuzhou City’s approach:

1. The land management department’s exclusive focus on regulate natural resources is too narrow; effective management requires a more comprehensive approach. In addition the exclusive focus on the protection is the cultivated land limits options and effectiveness. Because farmland preservation efforts have always emphasized cultivated land, other types of farmland resources, open space, and unutilized land resources have been neglected. When it comes to cultivated land the LALIM policy of “dynamic equilibrium” deals only with the quantity of cultivated land. It does not deal with the possibility of trading of bad land for good land in development and consolidation projects. Because these measures pay attention only to the quantity of cultivated land, the quality of farmland and the environment remain at risk.

2. As shown in Figure 4.1 the structure of Chinese land management system is vertical and centralized. In the decision-making process, every decision of local land management departments must be based on the decisions of the superordinate management department. The same is true of the implementation of policy, every local implementation of the policy is based on the policy issued by higher authorities. All policies and regulations are the same, there are no local special criteria. Farmland preservation models across China are
similar.

(3) According to LALIM, when cultivated land is requisitioned the land users must be compensated. Passive compensation leads to the lack of the protection awareness, and closed management creates the gap between government and the public. There is little incentive for peasants to manage farmland in an ecologically sustainable manner. As the result, these peasants are losing interest in the quality of their farms, fewer and fewer people care about the protection of farmland or the ecology and nothing is being done to raise awareness. Farmland preservation is just regulations and rules without the public participation.

Findings from Kittitas County
The following new ideas about protecting farmland were discovered through studying Kittitas County. These measures and practices are more comprehensive and scientific than Liuzhou City’s.

1) Citizen participation needs to be encouraged. According to Kittitas County Comprehensive Plan, citizen participation is a vital part of the planning process and has guided formation of goals, policies, and objectives. The process of amendment of annual comprehensive plan in Kittitas County is always published on the Website of Kittitas County. Public meetings and hearings are convened several times every year. Another example is the Voluntary Stewardship Program in Kittitas County. This program is a new approach for counties to participate in a watershed-based, collaborative stewardship as the result of an ongoing effort to advance common goals for environmental protection and agricultural viability using regulation as a last resort. In addition, a public involvement plan is part of Kittitas County comprehensive plan compliance.

2) Management must become more transparent and open. Any document and information about GMA and the Kittitas County Comprehensive Plan from 2006 to 2013, including the hearing documents and zoning maps, as well as every term of GMA and finding form the legislature and the government can be found in the website of Kittitas County.

3) Policy must tailored to the “local vision of rural character”. Rural counties in Washington State must have flexibility to create opportunities for business development. Further, the counties must have the flexibility to retain existing businesses and allow them to expand. Kittitas County is fostering unique land use patterns and developing a local vision of rural character identified by the local planning unit. This county has its own local agriculture market, such as cherry and hay.

4) The overall ecology and environment must always be considered. It is the goal of GMA to enhance the state’s high quality of life by protecting the environment, specifically, air and water quality, and the availability of water.

Conclusion and Recommendations
Based on the analysis of current farmland preservation measures in Liuzhou City and the lessons learned from the practices in Kittitas County public participation, transparency, development and incorporation of local vision and accommodation of local
uniqueness in preservation plans that protect farmland quantity and quality and the overall environment are impeded by the current centralized structure of decision-making in China. However, farmland preservation can still be improved in the City of Liuzhou by adopting the following measures:

1) Public participation can increase farmers’ sense of responsibility through becoming a protagonist to protect farmland. Farmers in Liuzhou City farm the land in order to survive. They do not really realize that they need to protect their farmland in order to continue to do so. There is nothing in the existing structure that prevents the city from educating them in this regard and engaging the farmers in voluntary efforts that preserve farmland. Meetings that perform the same function as the public ones in Kittitas County can be organized in different ways to accomplish the same purpose if individual administrators are committed to openness.

2) Transparent and open management committed to farmers and farmland preservation can build farmers’ awareness and better equip them to protect farmland. The city needs to develop something like the official website in Kittitas County which serves as a platform for communication and that connects the government and the public.

3) Fostering unique land use patterns and developing a local vision of rural character to develop a sustainable local agricultural market. Since governments can help create business chains for local agricultural products, something similar to what happens in Kittitas County can be accomplished within existing guidelines. There are many kinds of agricultural business models, such as small-scale farm, self-employment farm, and tourist business farm, and so on. Any of these models can become the starting point of a local vision that reflects the specific character of a rural community.

As the above measures are combined with each other in creative ways by officials and farmers, an open collaborative system can emerge as an external force that promotes the health and sustainable development of farmland preservation system in Liuzhou City.

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Jeff Watson, 2015. Comments on Farmland Preservation in Kittitas County, the planner of Kittitas County Community Development Services, (April 13).


Table 4: The comparative analysis of farmland preservation system between Liuzhou City and Kittitas County

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<tr>
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<th>Liuzhou City</th>
<th>Kittitas County</th>
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<td>Mission of management</td>
<td>Plan, manage, and reasonably use the natural resources such as land and mineral resources</td>
<td>Assist the citizens of Kittitas County in planning for the use and development of land and buildings while protecting public health and safety, sustaining a vibrant economy, promoting the conservation of natural resources, and protecting the environment.</td>
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<td>Purpose (goals) of the</td>
<td>Protect, develop, use, and manage land resources in Guangxi Zhuang Autonomous Region</td>
<td>Urban growth, reduce sprawl, transportation, housing, economic development, property rights, permits, natural resource industries, open space and recreation, environment, citizen participation and coordination, public facilities and services, and historic preservation.</td>
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<td>Requirements of the</td>
<td>• Cherish and rational use land resources, and to effectively protect farmland. It also is the basic national policy and is implemented.</td>
<td>• Designate and protect wetlands, frequently flooded areas and other critical areas</td>
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<td>legal measures</td>
<td>• Maintain the socialist public ownership of land.</td>
<td>• Designate farm lands, forest lands, and other natural resources areas</td>
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<td>• Protect the legitimate rights and interests of land owners and users.</td>
<td>• Determine that new residential subdivisions have appropriate provisions for public services and facilities</td>
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<tr>
<td>Content of the plan</td>
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Transforming Schools through Latino Parent Engagement and Participation

Elsa Valdez
California State University, San Bernardino
Abstract The purpose of this study is to examine the extent and nature of parent participation in school-related tasks, and life-skills instruction among Mexican-origin mothers and fathers. In-depth interviews with 22 immigrant couples with school-age children, indicate that compared to fathers, mothers were more involved in academic-related activities with their children, but both mothers and fathers participated in life-skills training.

Introduction

A growing body of research has documented that there are positive benefits when parents/family are involved in their children’s education such as the creation of a stronger home-school relationship, improvement of students’ academic achievement, and prevention of high-school drop outs (Zarate, 2007; Delgado Gaitan, 2004; Retana, 2001; Trumbull et al., 2001; Scribner et al., 1999; Chavkin, 1993; Marburger, 1990; Booth and Dunn, 1996, Moles, 1993; Harrison et al., 1990; Epstein, 1990). This research paper examines the extent and nature of parent involvement in several types of school-related activities and life-skills instruction among Mexican-origin mothers and fathers. As schools and policymakers seek to improve academic achievement for Latino students, parent involvement at home and in the school setting has shown to play a crucial role in shaping students’ educational outcomes.

Literature Review

Research on parent/family involvement among Latino families is somewhat limited, but existing studies indicate that they tend to have very low interaction rates with schools due to a variety of factors such as: (1) mistrust of large bureaucracies such as the schooling system, (2) lack of school administrators and staff who speak the parent’s language and have negative attitudes toward parents, (3) marginalization due to race, class, poverty, or unacknowledged structural racism, (4) ideology that there is a sharp delineation of school and home and, (5) family’s perception that educators should be trusted to educate children without interference from parents (Lara-Alecio, et al.,1997; Floyd, 1998; Moles, 1993; Montecel et al., 1993; Nicolau and Ramos, 1990; Moreno, 2004; Delgado Gaitan, 2004; Marschall, 2006; De Gaetano, 2007; Smith, Stern, Zhanna, 2008). The lack of Latino parent/family visibility in school settings has routinely led to perceptions among educators, that they are not interested in their children’s education.

Scholars who study parent involvement suggest that one of the most important obstacles to Latino parents becoming involved with the schooling process is the language barrier (Zarate, 2007; Hyslop, 2000; Chavkin & Gonzalez, 1995).

Other researchers argue that Latino parents and families are very involved in their children’s lives, but not necessarily in traditional ways such as volunteering for school activities or visiting classrooms (Zarate, 2007; Moreno, 2004; Espinosa, 1995; Lopez, 2001; Scribner, Young, & Pedroza, 1999). Moreno’s (2004) study emphasizes multiple factors that explain parent participation: personal/psychological, contextual, and socio-demographic. He concludes that although Latino mothers tend to be less involved in school-related activities, they are very involved in home-based activities such as
communication between home and school, learning activities at home, and basic obligations. Zarate’s (2007) research found that:

Parents believed that monitoring their children’s lives and providing moral guidance resulted in good classroom behavior, which in turn allowed for greater academic learning opportunities (p. 9).

Other studies indicate that eco-cultural factors such as work demands contribute to fathers’ ability to be an active participant in the schooling process (Sosa, 1997; Fuentes, Cantu, & Stechuk, 1996). Trueba and Delgado-Gaitan (1998) found that Latino immigrant parents often rely on their own educational experiences in Mexico in an effort to understand the U.S. educational system. This creates a cultural divide between immigrant parents and educators, and subsequently, the mismatch makes it difficult for school staff and parents to create partnerships that improve parent participation.

And finally, some research demonstrates that level of acculturation has an effect on parent engagement: less acculturated Latino parents have lower English language proficiency skills, which in turn affects parent’s knowledge of the school system and opportunities to be involved, and compromises school-home communication (Delgado-Gaitan, 1990; Stevenson et al., 1990; Moreno & Lopez, 1999).

Methods

Respondents and Data Collection

The respondents in this study consisted of twenty-two Mexican-origin couples living in Southern California. All of the families have children in the public school system, and were recruited using a snowball technique. Initial contact was made with five mothers who were attending English as a second language classes at a local community center. These women subsequently identified other families who they thought might be interested in participating in the study. The snowball technique yielded thirty couples, of which twenty-two agreed to participate in the study. Parents were given a choice of being interviewed in English or Spanish. All forty-four participants requested to be interviewed in Spanish. The face-to-face interviews lasted approximately 1.5 hours, and each spouse was interviewed separately.

The majority of the respondents had less than a high school degree. Annual income for these households varied from $17,000-$60,000. All of the male subjects and seven women reported being in the labor force. Employed parents primarily worked in nonprofessional occupations such as construction, agriculture, and the restaurant and hotel industry. Subjects ranged in age from 21-49. In terms of language preference, the majority of the parents were Spanish dominant or preferred more Spanish than English, and only 11% spoke both English and Spanish.

Measures

The questionnaire consisted of relevant sociodemographic information, closed-ended questions regarding the number of times parents had participated in two school-related tasks, and four life participation activities, and open-ended questions. To
assess school-related involvement, parents were asked how many times they had participated in the following activities within the last two weeks: (1) helped their children with homework (e.g. monitoring, correcting, and explaining homework, making sure homework is completed) (2) talked to teacher about child/children’s academic progress (e.g. asked questions or talked to teacher about child’s homework or other related assignments and schoolwork).

The measure for life-skills education asked parents if they had participated in four types of life-skills instructional activities within the last two weeks, with their child/children: (1) provided advice and guidance, (2) discussed values such as respect and good behavior, and (3) provided verbal praise and encouragement. For both measures, subjects were prompted to provide additional comments regarding their participation in school-related tasks, and life-skills education.

Results

**Academic Involvement: Help with school work**

While both mothers and fathers said that it is important to help their children with homework, language issues were cited as a primary challenge for the majority of the parents. Felipe, who works as a gardener, discussed his language dilemma:

> I’m embarrassed and feel like I’m failing my children because I don’t speak English, and can’t help them with school work.

Teresa, a 25 year-old parent who is Spanish dominant and works as a housekeeper stated:

> When my little girl asks me to help her with reading and writing assignments I get a knot in my stomach because I don’t speak or write English. I don’t understand how teachers expect parents like myself to help our children with homework.

Fathers were more likely than working mothers to mention rigid work schedules, as a reason for not helping out more with homework assignments. However, men who were bilingual and had flexible work schedules were more likely to help their children with school work. Andres, a 45 year-old-dad, who is employed as a golf course supervisor with flexible hours noted that:

> I usually help my children with homework about four times a week unless I have to work late. When they have special assignments like a science Project I can arrange to get off work early to help them.

**Academic Involvement: Talk to Teacher**

When parents were asked whether they communicated with their child’s teacher regarding their progress, the language barrier was once again a recurring theme for the
majority of mothers and fathers. Several parents commented that they were made to feel like second class citizens due to their lack of English-speaking skills. Saul recalled being treated disrespectfully by his child’s teacher due to his inability to speak English fluently:

I became very angry when the teacher answered the phone and told me no hablo Español, you need to speak English. I wanted to tell her, you need to learn Spanish.

Several mothers discussed the hostile culture of the school toward parents who don’t speak English. The following excerpt illustrates Carla’s experiences:

I don’t think that my children’s school is a very friendly place. When I go to the school to talk to the teacher it’s hard . . . she doesn’t know Spanish. I don’t know . . . it’s like the teacher is angry because I don’t know English. I can tell by her facial expressions that she is very uncomfortable and she makes faces.

For some mothers, however, the lack of English-speaking skills did not prevent them from talking to their child’s teacher regarding their academic progress. Esmeralda, who is a homemaker and speaks more Spanish than English, is a good example of human agency:

Yes, I go to the school to see how my daughter is doing. I want my daughter’s teacher to know that I care that about her education.

Another example of pro-active strategies used by parents is Luz, a 39-year old mother who works full time at a restaurant:

I always find the time to ask the teachers how my child is doing. Also, when teachers and principals see a parent going to school to check on their children’s progress, they remember this . . . it makes a difference for my kids. I call the office and ask them to have an interpreter available when I go and talk to my child’s teacher. They can usually accommodate me.

Overall, employed fathers were more likely than working mothers to state that communication with their children’s teacher was difficult because of their work schedule. This was especially true for fathers who earned low wages and had jobs that did not allow them to take time off to deal with family issues. Sigfredo, who is employed as a mechanic, was a good example of this:

Sometimes my wife asks me to leave work early so that I can go with her to a parent-teacher conference. I feel really bad, but I can’t because my boss won’t let me get off work early, and
Life Skills Instruction

When asked about this topic, all of the parents in the study reported consistently providing life-skills instruction to their children. Additionally, ninety-nine percent of the mothers and fathers stated that this was one of the most important parental obligations. One parent named Domingo recalled that social and moral education was very important in his household when he was growing up in Mexico, and he was determined to pass that on to his children:

...my parents always talked to me about the importance of being a responsible and respectful person. I also try to do the same with my children. I remind them that they have to obey and respect their teachers, and that the only way they will succeed is to do well in school. I tell them how proud I am of them when they get good grades in school. They know that if they don’t behave properly at home or in school, there will be consequences.

Similar to fathers, all of the mothers placed a high value on instructing their children with life skills. Thirty-eight year old Rosa explained the importance of instilling good values at home and in public settings such as school, and praising children for positive behavior:

As a mother I try to ask my all my children on a daily basis how they are doing in school, and tell them that I expect them to be well behaved at all times. I also tell them stories about what happens to people who don’t listen to their parents and get in trouble at school. My husband and I give them a lot of encouragement and they know that if they get good grades they will receive a reward.

Results and Discussion

One of the key findings in this study is that the majority of parents cited language as a barrier with respect to helping their child with homework, and interacting with teachers to check on their child’s progress in school. A second major finding is that in comparison to mothers, fathers tended to be less involved in children’s homework assignments and interaction with teachers due to rigid work schedules and in some instances, lack of English skills. And the third finding is that the majority of parents viewed teaching life skills to their children as one of the most important parental responsibilities.

These results confirm previous studies that illustrate that Latino families have lower rates of involvement in the schooling process due to multiple factors such as language barriers, work demands, social class, acculturation, and school environment (Lara-Alecio, et al., 1997; Floyd, 1998; Moles, 1993; Montecel et al., 1993; Nicolau and
Ramos, 1990; Moreno, 2004; Delgado Gaitan, 2004; Marschall, 2006; De Gaetano, 2007; Zarate, 2007; Smith, Stern, & Zhanna, 2008; Lara-Alecio, et al., 1997; Floyd, 1998; Moles, 1993; Montecel et al., 1993; Nicolau & Ramos, 1990; Moreno & Valencia, 2002; Marschall, 2006). Furthermore, similar to previous research that focused on human agency and the intersection of race, class, and gender (Baca Zinn, et al. 2015; Valdez, 1996, 2004), this research illustrates that Latino families are not passive actors, but instead adjust and change strategies in response to constraints imposed upon households by economic and social structures. Unfortunately pervasive social perceptions such as the notion that Latino families do not value education, contribute toward educational practices such as tracking, test bias, and conservative social policies. These practices increase the likelihood of academic failure for Latino students, and contribute to their subordinated status and impoverished living conditions.

I agree with Valverde’s (2006) recommendation that we need to transform the schooling system into a “full service community institution.” He defines a full service community institution as a place that offers a culturally sensitive climate, culturally relevant leadership, a community within a community where parents are an integral part of the school environment, classrooms where cooperation and teamwork are promoted, and a place where services such as job training, health care, English-language instruction, and other family resources are made available via community-school partnerships.
References


"Go Global" Liuzhou: An Outward Foreign Direct Investment Policy for the City

Xifang Wang
Central Washington University
Abstract

A policy analysis of outward foreign direct investment for Liuzhou City in the context of the national "Go Global" strategy. Liuzhou City records from 2002 to 2014 were used to establish the current structure and characteristics of the city’s situation in terms of operations, investment, location, type of operations, and investors and a SWOT (strengths, weaknesses, opportunities & threats) approach was used to examine this data. The analysis showed that in order to take advantage of its strengths and opportunities, problems with information and technology, financing, regulation, funding, and investment insurance needed to be addressed. It was concluded that a well-structured cluster approach, with government grouping enterprises, targeting investment and providing incentives to financial institutions, is the best way for Liuzhou to "Go Global".

Introduction

The International Monetary Fund, the Organization for Economic Co-operation and Development and the United Nations Conference on Trade and Development define FDI as: Investment made to acquire lasting interest in or effective control over an enterprises operating outside of the economy of the investor (Li, 2015). Inward FDI (IFDI) and Outward FDI (OFDI) were the two types of FDI; IFDI refers to the foreign investment where the investors are nonresidents of the country, whereas OFDI means the residents of the country do investment in other counties (Li, 2015).

OFDI is a product of the internationalization of modern capitalist production. With the development of economic globalization, the pattern of the international interaction has gradually changed from trade-led to investment-led. OFDI has become the engine of world of economic development and an important driving force of economic globalization. The reform and opening policy which was carried out in China in 1978 was the starting point for exploring the OFDI by the Chinese central government and the enterprises (Chen, 2009). In 2000, in order to promote the OFDI, the Chinese central government put forward a "Go Global," which is a modernization strategy for strengthening the country by realizing economically sustainable development. It encourages the Chinese enterprises to take full advantage of domestic and overseas opportunities by fully engaging in the international OFDI competition through direct investment, and contracting for international projects and labor (CCPIT, 2007). After more than a decade’s promotion, the Chinese OFDI amount reached one hundred billion dollars in 2013. Since the lunch of "Go Global" more than 25 thousand Chinese enterprises have invested some 660 billion dollars in 184 countries and regions around the world. The total OFDI assets are about 3 trillion dollars. China ranked the third in the world for OFDI both in 2012 and 2013 (MOFCOM, 2014).

The great OFDI achievement in China could not have been attained without the government's promotion. The "Go Global" strategy forced the central level authorities to publish policies and regulations to simplify the examination and approval procedures, to effectively manage, and to support with funding the enterprises that invested overseas. Guided by national policies, the governments at the provincial and city levels established their own OFDI policies in accordance local conditions. However, Liuzhou, as the biggest industrial city in Guangxi Zhuang Autonomous Region, does not yet have a single policy for promoting OFDI. This explains why Liuzhou had so little OFDI
compared to other industrial cities. It is time for the Liuzhou government to formulate its own OFDI policies.

Before moving on to examine the situation in Liuzhou, the literature on the five theories that underpin OFDI policy in China and the policies must be reviewed. The five theories are: Monopolistic Advantage Theory, Internalization Advantage Theory, The Eclectic Paradigm of International Production, Theory of Comparative Advantage, and Product Life Cycle Theory. The common idea is that OFDI is inevitable when societies and economies reach a certain stage of development. Consequently, OFDI cannot be stopped and, therefore, should be encouraged and promoted. Based on the input of the scholarly community, the Chinese central government organized and classified the OFDI policies.

Within this overall theoretical and policy context an investigation of Liuzhou's OFDI was conducted. Official data was collected and analyzed on operations, investment, location, type of operations, and investors. From the analysis of the city's OFDI strengths, weakness, opportunities, and threats (SWOT) it was concluded that a cluster approach to OFDI is the best way for Liuzhou to "Go Global" and a tentative cluster design is presented.

This initial research had to rely on existing literature in conducting the SWOT analysis of Liuzhou OFDI policy, because deadlines made it impossible to interview officials from the Liuzhou OFDI enterprises which will be necessary to obtain the kind of detailed information essential for final policy design.

**Liuzhou's Industrial Economy**

Liuzhou is the second largest city and the biggest industrial city in Guangxi. Its gross industrial output accounts for one-fifth of Guangxi’s. The gross industrial output values in Liuzhou from year 2010 to 2014 are showed in Table 1.

There are 2,800 industry enterprises with full range of industrial sectors in Liuzhou: Four enterprises are in the top five hundred list in the Chinese Manufacturing Enterprises(LZMCC, 2014b); 9 are large-scale enterprises (LZMCC, 2014b), which means they employ at least 1,000 workers and generate revenues over 40 million RMB (about 6.4 million US Dollars) (NBSPPC), 2006) and 727 are industrial enterprises above designated size (LZMCC, 2014b), which means they generate revenues of over 20 million RMB (about 3.2 million US Dollars) (Industrial, (n.d.).

**The Characteristics and Structure of OFDI in Liuzhou from 2002 to 2014**

The first OFDI from Liuzhou occurred in 1989. Guangxi Liuzhou General Electric Fan Factory invested one million dollars to establish a branch company in Thailand. It was an assembly plant that was extensively involved in trade around the world to acquire parts and market fans. According to the statistic from Liuzhou Municipal Commission of Commerce, most of the Liuzhou enterprises involved in OFDI from 1989 to 2002 existed in name only. Hence, it makes no sense to analyze the OFDI statistics before 2002. Data on Liuzhou outward foreign direct investment (operations, investment, location, type of operations, and investors) was collected from 2002 to 2014 and analyzed.

Table 2 shows that there was only one Liuzhou enterprise with a “one time” OFDI in 2002. By the year of 2014 there were still only 11 enterprises doing OFDI in Liuzhou. Even though these companies made 39 investments over the 11 years, comparatively speaking Liuzhou’s OFDI is very small. Among the 39 investments 22 established operations, 16 increased investment, 2 purchased companies.
In 2002, the total OFDI in the single project was 200,000 dollars of which the Liuzhou enterprise contributed 49,000. By the year of 2014, the total project investment amount was 245,680,800 dollars with the Liuzhou enterprises investing 209,691,900. Compared to Liuzhou's gross industrial output value in 2014, this amount of investment is hardly worth mentioning. The good news is the total amount of OFDI increased steadily from 2002 to 2014.

Table 4 shows that the 39 investments were widely distributed among 14 countries with eight in United States; five each in Brazil, Netherlands, and Vietnam; four in India; three in Canada and two in Malaysia and one each in Russia, South Africa, Singapore, Cambodia, Australia, United Arab Emirates, and Iran.

Of the 39 investments, 26 were in machinery engineering and assembly (66.6%), Mining and manufacturing each account for four and there were single investments in real estate, technology industry, and forest resources and tourism. The last two investments could not be categorized. It is clear that Liuzhou’s strength is machinery engineering and assembly.
The investors of the OFDI in Liuzhou were companies. In China, with its large public sector, it is important to distinguish between two types of enterprise: state-enterprises and private enterprises. The other important factor is size: large, middle, and small (The standards for classification are shown in Table 5).

Table 6 shows the distribution of OFDI enterprises in terms of their classification. Only one (Large) state-enterprise was involved in OFDI. The rest were private enterprises among them two large, two middle sized and seven small firms.

The SWOT Analysis of the Liuzhou OFDI

SWOT stands for strength, weakness, opportunity, and threat. The Table 7 shows the results of the SWOT analysis of the Liuzhou’s OFDI. There are two parts to the analysis. The first part examines internal situation by looking at the strengths and weaknesses. The second part deals with the external situation by examining the opportunities and threats.

Strengths

Strong Industry Base. Liuzhou has a solid foundation and distinct advantage in automobile industry. First, Liuzhou's gross industrial output accounts for one-fifth of Guangxi’s. The pattern of Liuzhou’s industry was "three, five, four". "Three" represented the three pillar industries of automobile, metallurgy, and machinery. "Five" represented the five traditional industries of chemical, sugar, paper making, building materials, and daily chemical industry. "Four" meant the four new industries of advanced material, biological and pharmaceutical, mechatronics and electronic information, new energy and environmental protection industry. Second, Liuzhou is the only vehicle production base city to have four major national auto producers Shanghai Automotive Industry Corporation (SAIC), First Auto Work (FAW), Dongfeng Motor (DFM), and Sinotruck at the same time. Third, Liuzhou was the third city that the annual car production volume exceeded one million cars in China. Fourth, Liuzhou is one of the ten automobile parts production bases in China.

International Exposition Platform. China-ASEAN Automobiles, Construction Equipment and Components & Parts Exposition (Liuzhou Exposition). It is an international exhibition that specializes in automobiles, construction equipment, components & parts. It is held annually at the same time as China-ASEAN Expo. Many
visitors from automobile enterprises abroad come to take part in the show every year. Liuzhou Exposition is a platform for the Liuzhou enterprises to communicate with other countries and promote Liuzhou's automobile industry.

**A Regional Transportation Hub.** The developed transportation network which combines highway, railway, waterway, and aviation makes Liuzhou a transportation hub which links China’s southwest, mid-south and southern parts with Southeast Asia.

**Weaknesses**

**Lack of international market experience.** The majority of the enterprises focus on the domestic market. Most of the enterprises in Liuzhou have no international market experience.

**Low Foreign Trade Dependence Ratio.** The ratio of dependence on foreign trade is the ratio that total foreign trade value to the Gross Domestic Product (GDP). Ratio of Dependence on Foreign Trade= Total Foreign Trade/ GDP×100%.

The higher the ratio, the higher the degree of dependence of an economy on foreign trade. The higher the ratio, the higher degree of the market's openness. The foreign trade dependence ratio in Liuzhou from 2010 to 2014 decreased (see table 8). It's difficult to engage in OFDI when the market becoming less and less open.

**Laws, regulations and policies lag behind.** There is no comprehensive overseas investment law in China so far. Although China has established the system of examination and approval of foreign invested enterprises, and had taken some supporting measures, it lacks of effective measures for the later-stage management. Overall systems for multinational management of finance, tax, credit, foreign exchange, and reporting need improvement. Lack of local policy and government support.

**Opportunities**

**OFDI established as a national priority.** In 2014, China's OFDI total amount exceeded the IFDI for the first time. It was called the first year of the "Go Global" of the Chinese enterprises. The "Go Global" of the large scale for the Chinese enterprises became the irresistible trend. After several decades of development, China developed its capacity for going global as people, goods, and finally capital began to flow across borders. More and more Chinese enterprises started looking abroad.

**Central government promotion of "Go Global" strategy.** The Third Plenary Session of the Eighteenth Central Committee, which held in November, 2013, had put "Go Global" as the important measures to establish a new system of the opening economy. The need “to promote internal opening and the opening to the outside world together” was reaffirmed. So that the combination of the IFDI and OFDI could continue to support the free flow of international and domestic factors, orderly efficient allocation of resources, market depth fusion, and to speed up the cultivation of competitive advantages in participating in and leading the new international economic cooperation. The meeting explicitly proposed to expand the enterprises and individuals' OFDI and to place the enterprises and the individuals as the subject status of Chinese OFDI. Furthermore, the department which was in charge of the foreign direct investment also accelerated the investment examination and approval system reform. The newly published of the Catalogue of Investment Projects Subject to Government Confirmation (2014) loosened the constraints on most of the OFDI projects. In addition, apart from a few specified, all the OFDI only needed to make records. The government reduced the administrative intervention of the OFDI. The autonomy of the OFDI enterprises and the
marketization of the investment behavior were strengthened (Ministry of Commerce, 2015).

“One Belt and One Road” strategy provided new overseas investment opportunities. In 2013, Chinese chairman Xi Jinping proposed the One Belt and One Road strategy (Zhu, 2014). One belt meant the Silk Road Economic Belt, while one road meant the 21st Century Maritime Silk Road. This proposal was aims to ask for the related country to build benefit community of win-win cooperation and the fate community of sharing prosperity and development.

Threats

Competition from large multinational enterprises. Generally speaking, large multinational enterprises have vast financial resources. They have strong advantages in fund-raising, sales channel, and technical and management ability. They are a huge threat to Liuzhou enterprises.

Competition from other enterprises in China. Liuzhou is a third-tier city in China. Although its industry was strong in Guangxi region, it still weak compared other provinces' second-tier and first-tier industrial cities or coastal cities. Furthermore, the OFDI in Liuzhou is in the start-up period, whereas the others were in the developing stage. They had more experience in managing, producing, and operating the business abroad. Furthermore, they had their own market already. Therefore, it was not easy not Liuzhou enterprises to compete with them.

Cluster Outward Foreign Direct Investment for the Liuzhou City

Cluster Outward Foreign Direct Investment is a way for government to lead and encourage enterprises to invest through financial incentives (direct funding, long-term low-interest loan from the export-import bank, etc.) and by bringing together and helping associated industries or supportive industries established overseas trade and cooperative relationships so that they can work together to exploit investment opportunities. This kind of cooperation in overseas investment can effectively overcome the inexperience and internal organizational problems and prevent cutthroat competition among local enterprises.

A Cluster Outward Foreign Direct Investment policy for Liuzhou city must respond to the following questions: (1) Which government department is the main organizer? (2) What type of investment, which enterprises and where? (3) What is the source of government support funds? (4) What is the role of the financial institutions?

First, Foreign Economic and Trade Cooperation section in Liuzhou Municipal Commission of Commerce is the municipal level government section in charge of overseas investment and cooperation for the whole city. Therefore, the section could be the organizer of the Liuzhou Cluster Outward Foreign Direct Investment strategy.

Second, according to the analysis of the Liuzhou current OFDI, the investment locations and the investment industries were not extensive. Therefore, as a starter, the city should focus on a single region and one kind of industry. Once the industry is firmly established in that region, OFDI could spread out to other regions with the same industry. The SWOT analysis of Liuzhou OFDI showed that automobile is one of the pillar industry in Liuzhou, and Liuzhou is the vehicle production base and automobile spare parts production base in China. Therefore, the automobile industry is the best OFDI choice for Liuzhou. Due to Liuzhou's unique geographical advantages to ASEAN countries and with the Liuzhou Exposition being held annually in Liuzhou, the best
region that for Liuzhou enterprises to do OFDI would be ASEAN countries.

Third, in order to support the foreign trade enterprises in Liuzhou, the government of Liuzhou City had set up a 8,700,000 RMB (about 1,398,511 dollars) funding base for encouraging and rewarding the enterprises which had special contribution for the city's foreign trade every year since 2007. The government can dedicate 5,000,000 RMB (about 803,742 dollars) of that budget to supporting the cluster outward foreign direct investment policy. Increasing the budget in an existing funding base is easier than creating a new funding base. Since foreign investment promotes further development of the foreign trade, it can share the same funding base.

Fourth, cluster enterprises outward would have the government as theirs guarantee party for foreign direct investment funding through the financing institutions.

**Conclusion**

Liuzhou is in a strong position when it comes to OFDI but it did little for more than a decade. It is time for Liuzhou to take advantage of the opportunities at hand and reap the benefits of engagement. The following diagram (diagram 1) outlines a tentative strategy for a cluster approach in Liuzhou.

The information platform provides investment information, such as destination country, investment industries, and market information to the foreign economic and trade cooperation section in Liuzhou Municipal Commission of Commerce. The section analyzes the information and selects the investment industries and destination countries or regions on the basis of the Liuzhou industry's current situation (see diagram 1, (1)).

After confirming the feasibility of the investment, the section will make the investment information available to the target enterprises and groups of enterprises (see diagram 1, (2)). With proper incentives in place, the financial institutions will be asked to support the investment. The OFDI enterprises will get the funding to support their investment in accordance with their qualification (see diagram 1, (3)). Furthermore, the foreign economic and trade cooperation section will provide guarantees for the target OFDI enterprises as they seek outside financing. (see diagram 1, (4)).

Because it can take full advantage of Liuzhou's strengths and opportunities and compensate for weaknesses and guarded against the threats, a cluster outward foreign direct investment approach is the best way for Liuzhou to “Go Global”.
Bibliography


Table 1: Gross Industrial Output Value (GIOV) in Liuzhou (year 2010-2014)

<table>
<thead>
<tr>
<th>Year</th>
<th>GIOV in Liuzhou (Billion $)</th>
<th>GIOV in Guangxi (Billion $)</th>
<th>Proportion of Guangxi</th>
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<td>42.46</td>
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<td>50.4</td>
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<td>57.92</td>
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<td>2014</td>
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Source: Arranged according to (LZMSB, 2010-2014); (Yang, 2015); (GSB, 2013)

Table 2: OFDI Operations by Liuzhou Enterprises from 2002 to 2014
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Table 2: OFDI Operations by Liuzhou Enterprises from 2002 to 2014
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Source: (LZMCC, 2014a)
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<th>No.</th>
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### Table 4: Location and Type of Operations by Liuzhou Enterprises from 2002 to 2014

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</tr>
<tr>
<td>1</td>
<td>Cambodia</td>
<td>1</td>
<td>2.56%</td>
</tr>
<tr>
<td>1</td>
<td>Australia</td>
<td>1</td>
<td>2.56%</td>
</tr>
<tr>
<td>1</td>
<td>United Arab Emirates</td>
<td>1</td>
<td>2.56%</td>
</tr>
<tr>
<td>1</td>
<td>Iran</td>
<td>1</td>
<td>2.56%</td>
</tr>
<tr>
<td>Total and Percentage</td>
<td>39</td>
<td>66.64%</td>
<td></td>
</tr>
</tbody>
</table>

Source: (LZMCC, 2014a)

### Table 5: The Clarification Standard for the Enterprises in China in Industry

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Large Size</th>
<th>Middle Size</th>
<th>Small Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>≥ 2000 people</td>
<td>≥300, &lt;2000</td>
<td>&lt;300</td>
</tr>
<tr>
<td>Sales Volume</td>
<td>≥300 million RMB</td>
<td>≥30 million RMB, &lt;300 million RMB</td>
<td>&lt;30 million RMB</td>
</tr>
</tbody>
</table>
Table 5: The Clarification Standard for the Enterprises in China in Industry

<table>
<thead>
<tr>
<th>General Assets</th>
<th>≥400 million RMB</th>
<th>≥40 million RMB, &lt;400 million RMB</th>
<th>&lt;40 million RMB</th>
</tr>
</thead>
</table>

Source: (Ministry of Enterprises, 2011)

Table 6: Liuzhou OFDI Enterprises from Year 2002 to 2014

<table>
<thead>
<tr>
<th>No.</th>
<th>Company Name</th>
<th>Company Type</th>
<th>Company Size</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>State-owned</td>
<td>Large Size</td>
</tr>
<tr>
<td>1</td>
<td>Liugong Machinery Co., Ltd.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2</td>
<td>Guangxi Mining and Construction Group Co., Ltd.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>3</td>
<td>Guangxi HuaLi Group Co., Ltd.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>4</td>
<td>Guangxi Jinggui Automatic-Control Engineering Co., Ltd.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>5</td>
<td>Guangxi Hengan Investment Co., Ltd.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Guangxi Puzhong Investment Co., Ltd.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Guangxi Dalong Electromechanical Equipment Co., Ltd.</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>
Table 6: Liuzhou OFDI Enterprises from Year 2002 to 2014

<table>
<thead>
<tr>
<th></th>
<th>Liuzhou Ruikun Import and Export Co., Ltd.</th>
<th>✔️</th>
<th>✔️</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Liuzhou Xinke Computer Weighing Apparatus Manufacturing Co., Ltd.</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>10</td>
<td>Liuzhou Fanggan Industrial Co., Ltd.</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>11</td>
<td>Liuzhou Rirui Investment Co., Ltd.</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>

Source: (LZMCC, 2014a)

Table 7: SWOT

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong industry based; International exposition platform: China-ASEAN (Liuzhou) Automobiles, Construction Equipments, Components &amp; Parts Exposition; Regional advantages.</td>
<td>Lack of international market experience; Low Foreign Trade Dependence Ratio; Low OFDI awareness and capacity. Lack of local regulations and policies to support OFDI.</td>
</tr>
<tr>
<td>Opportunities</td>
<td>Threats</td>
</tr>
</tbody>
</table>
Table 7: SWOT

<table>
<thead>
<tr>
<th></th>
<th>OFDI had become the national trend;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Central government promotion of &quot;Go Global&quot; strategy;</td>
</tr>
<tr>
<td></td>
<td>“One Belt and One Road” strategy provided new overseas investment opportunities.</td>
</tr>
<tr>
<td></td>
<td>Instability in host countries.</td>
</tr>
<tr>
<td></td>
<td>Competition from large multinational enterprises;</td>
</tr>
<tr>
<td></td>
<td>Competition from other enterprises/cities in China.</td>
</tr>
</tbody>
</table>

Table 8: FOREIGN TRADE DEPENDENCE RATIO (FTDR) IN LIUZHOU (YEAR 2010-2014)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Foreign Trade Value in Liuzhou (Billion $)</th>
<th>Liuzhou GDP (Billion $)</th>
<th>FTDR in Liuzhou</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2.82</td>
<td>21.04</td>
<td>13.4%</td>
</tr>
<tr>
<td>2011</td>
<td>2.78</td>
<td>25.28</td>
<td>11%</td>
</tr>
<tr>
<td>2012</td>
<td>3.11</td>
<td>29.54</td>
<td>10.52%</td>
</tr>
<tr>
<td>2013</td>
<td>2.88</td>
<td>33.6</td>
<td>8.57%</td>
</tr>
<tr>
<td>2014</td>
<td>2.27</td>
<td>35.34</td>
<td>6.4%</td>
</tr>
</tbody>
</table>
Diagram 1

The Structure of the Cluster Outward Foreign Direct Investment

The OFDI Target Enterprises (2) —> Foreign Economic and Trade Cooperation section in Liuzhou Municipal Commission of Commerce —> Financing Institutions (4)

Foreign Economic and Trade Cooperation section in Liuzhou Municipal Commission of Commerce —> Government Finance (3)

The Information Platform (1)
Introduction

1. What is foreign direct investment?

FDI is defined as direct investment by a company in active business operations in a foreign country.

2. Why is foreign direct investment important?

FDI plays a positive role in economic development for a country by providing the external capital and the improved technology, jobs, tax, etc.

3. What are the negatives of the foreign direct investment?

Any indifference from government may result in negative spillover effects, balance of payment deficits, dual economy, pollution and etc.
FDI Policies of China and the United States:

Why is the rate of FDI in the U.S. highest in the world? What are China’s problems in these areas? What lessons can be drawn from the US to improve China’s FDI policy?

These Questions will be answered with respect to three key dimensions of FDI:
- Industrial Environment
- Institutional Effectiveness
- Preferential Policies

Comparative Analysis of FDI in the United States and China

I. The Situation of FDI

The United States:
- FDI in the United States totaled nearly $2.8 trillion in 2013. It is equivalent to about 16.5 percent of U.S. gross domestic product.
- From 2012 to 2013, the United States became the top economy ranked by FDI inflows, it show the United States has been the world’s largest recipient of FDI.
- For the second year in a row, A.T. Kearney’s FDI Confidence Index ranked the United States as the world’s top market in 2014.

![Figure 2. FDI inflows: top 20 host economies, 2012 and 2013](image)
Comparative Analysis of FDI in the United States and China

I. The Situation of FDI

China:
- In 2003, foreign invested enterprises amounted to 22773, dropped by 8.63% from a year before.
- The actual use of foreign investment reached $117.6 billion, increased by 5.25% from a year before.
- China ranked second in the world and narrowed the gap with the United States.
- Challenges: slowing economic growth, rising labor costs, increased competition for the low-cost manufacturing.

II. The Comparison of Industrial Environment

The United States:
1. More than 300 million people, a landmass of 3.7 million square miles; transparent legal system, outstanding infrastructure
2. Relatively low levels of regulation and government participation. Both individuals and corporations have freedom to make economic decisions. A center for global innovation.
Comparative Analysis of FDI in the United States and China

II. The Comparison of Industrial Environment

The United States:

3. Higher education system: Forty-three percent of Americans between the ages of 25 to 64 have completed a level of education beyond high school.

4. The largest roadway system, railway network, and number of air-ports; busiest ports for international bulk cargo.

China:

1. The sheer size of its population (1.3 billion) and market; development of infrastructure, resource availability, productivity and workforce skills, and the development of the business value chain.

2. The availability of low-cost, skilled employees.

Labour productivity

<table>
<thead>
<tr>
<th>Country</th>
<th>2003-07</th>
<th>2008-12*</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>177</td>
<td>12</td>
</tr>
<tr>
<td>India</td>
<td>105</td>
<td>10</td>
</tr>
<tr>
<td>Spain</td>
<td>107</td>
<td>79</td>
</tr>
<tr>
<td>South Korea</td>
<td>196</td>
<td>61</td>
</tr>
<tr>
<td>Russia</td>
<td>191</td>
<td>35</td>
</tr>
<tr>
<td>United States</td>
<td>230</td>
<td>100</td>
</tr>
<tr>
<td>Brazil</td>
<td>182</td>
<td>87</td>
</tr>
<tr>
<td>Australia</td>
<td>171</td>
<td>71</td>
</tr>
<tr>
<td>Japan</td>
<td>143</td>
<td>34</td>
</tr>
<tr>
<td>Mexico</td>
<td>100</td>
<td>34</td>
</tr>
<tr>
<td>France</td>
<td>98</td>
<td>34</td>
</tr>
<tr>
<td>Germany</td>
<td>93</td>
<td>34</td>
</tr>
<tr>
<td>Britain</td>
<td>78</td>
<td>34</td>
</tr>
<tr>
<td>Italy</td>
<td>78</td>
<td>73</td>
</tr>
<tr>
<td>Greece</td>
<td>60</td>
<td>72</td>
</tr>
</tbody>
</table>

Sources: The Conference Board, The Economist

*Estimate

As % of US GDP per person employed, 2012*
Comparative Analysis of FDI in the United States and China

II. The Comparison of Industrial Environment

China:
3. In the past, China's cheap labor dominated world labor markets for decades, giving it a monopoly on cheaply manufactured goods. But, now there is a structural tightening due to the fast-rising wages, worker activism, and intermittent labor shortages.
4. Higher-end industries such as healthcare, information technology, engineering

III. The Comparison of the Institutional Effectiveness

The United States:
Investment Promotion Agencies (IPAs) of the U.S, located in the Department of Commerce, play an important role in attracting FDI.

For the federal level, focus to complement existing state efforts

The sub-national IPAs (independent organizations), in a unique position to offer tailored services to international investors.

The Investment Promotion Offices in the relevant countries in the world, obtain more investment opportunities.
Comparative Analysis of FDI in the United States and China

III. The Comparison of the Institutional Effectiveness

China:

Investment Promotion Agencies’ main responsibility is to examine the enterprises’ quality and quantity. The China Investment Promotion Agency is also located in The Ministry of Commerce of the People’s Republic of China.

For the state level, guide and take part in the joint conference for the nationwide IPAs

For the local level, formulate the city development plans; organize activities of the city investment; participate in domestic and overseas investment activities; receive significant investors

Comparative Analysis of FDI in the United States and China

IV. The Comparison of the Preferential Policies

The United States:

- Based on the two basic principles: worldwide open market and appropriate management.

A. No a special general restrictive policy of FDI.

B. Many preferential policies in each state of the U.S. The state can decide tax except the federal income tax, state income taxes, property taxes, sales taxes, and public utility taxes.
Comparative Analysis of FDI in the United States and China

IV. The Comparison of the Preferential Policies

China:

a. Divides FDI projects into four categories: projects that were encouraged, allowed, restricted, and prohibited.

b. 354 types of encouraged projects, 80 types of restricted projects, and 39 types of prohibited projects in 2015 revision

Guiding directory

“Begin to open to the world” (1979-1986)

“Specific industrialization policy” (1987-1996)

“Improvement of market supporting measures” (1999-)

Comparative Analysis of FDI in the United States and China

V. The Development of FDI

The United States:

1970s

Introduced preferential policies to use large amounts of money to attract FDI

47 states actively introduced investment promotion plans

1980s

48 states sent trade and investment groups visit to Europe, China, and Japan

1990s

Multinational companies spreading to the United States
V. The Development of FDI

China:

- In 1980s and 1990s, China experimented with opening up to foreign investment in selected coastal cities and in special economic zones/industrial parks with a focus on attracting export-oriented manufacturing FDI.

- China made a radical commitment to services liberalization in its accession to WTO.

- From 2002, the rate of FDI rapidly increased, and successfully utilized foreign technologies and became a strong competitor to many industries in developed countries.

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![Graph: Foreign Capital and FDI in China 1983-2000](image1)


![Graph: FDI in China 2001-2013](image2)

**Source:** The Ministry of Commerce of the People’s Republic of China 2001-2013
**Problems of FDI Attraction in China**

I. The Role of Government is in Disorder
- Take the investment attraction as politicization.
- The function of government is dislocation.
- Regarded as an important indicator of the annual performance of leaders.
- The examination and approval authority was too large.

II. The National Mechanism of Investment is not Complete
- Did not form a complete service system of investment: incomplete investment management system, unreasonable arrangement at the grassroots level and so on.
- The region can provide the conditions such as social culture, good market order and legal system and so on.

III. The Continuity and Inheritance of Investment Policy is not Enough
- Constantly changing the investment policy, especially in the backward areas.
- Most of the preferential policies were not implemented in reality due to various reasons. (change the term of government)

IV. The Governmental Investment Attraction Ignore the Social Benefit
- Some policies: the low-cost transfer of land, the reduction of environmental standards and so on, leading to a fact that a lot of "image projects" and "achievement projects"
- Wastes the resources.
- The lack of complete project evaluation system of FDI
Solutions

I. To Change the Government Control into Government Guidance of Investment Promotion
   A. Identify potential investment opportunities.
   B. Interact with mass and chamber of commerce for attracting investments.

II. To Attach Great Importance to the Construction of the Nature and Living Environment
   A. Realize the importance of the construction of the nature and living environment.
   B. Completely eradicate the project with high consumption, high pollution, the disadvantage of land resources protection.

III. To Improve the Quality of Technology Skills of the Workers
   A. Need a workforce with low labor cost and high quality output.
   B. Improve the comprehensive quality and foreign-related capacity of the officials in IPA.

Solutions

IV. To Flexibly Use Various Investment Attraction Policy, and Maintain the Continuity of the Policy
   A. Using flexibly, various incentive policies
   B. The policy and finance should be opened and transparent.
   C. Keep the continuity of the policy

V. To Make the Utmost of Industry Attraction
   A. The higher the local industrial concentrate, the more attractive the new investment will be to enter.
   B. Start from the angle of optimizing the industrial structure.

VI. To Establish and Improve the Project Evaluation System as Soon as Possible
   Needs a set of perfect and mature project evaluation systems, with high internationally standard acceptable and reliable predictions by outsiders.
Summary and Conclusion

In this research found:

a. There are many differences between the U.S and China through comparative analysis of the three important. (the industrial environment, institutional effectiveness, and preferential policies.)

b. China has many weaknesses in these three areas, and these have negative effect on the development of investment attraction.

c. Due to the successful case of FDI development in the U.S, if China learns the advanced strategies of FDI attraction of the U.S; China might improve the rate of FDI. However, the two countries are different, so China cannot parrot the every strategy from the U.S, but should embrace the elements of their approach that suit our situation.

d. The research propose some specific strategies from the U.S that China can use in Chinese situations. China could resolve the bureaucratic problems and improve the quality of the foreign companies and quantity of FDI in the long term due to the administrative institutional system reform, in the process of the reform could increase the rate of FDI.

My E-mail: weiya@cwu.edu

Thank you!

Business

07/15/2015
Community Recreation Service in Liuzhou

Chen Yang
Central Washington University
Introduction
The introductory section includes a global evolution of sports and recreation and the background of Liuzhou.

Global Evolution of Sports and Recreation
Three key advances of Western civilization also resulted in societal innovations in sports and recreation: The first occurred in the Ancient Greek civilization and gave birth to the Ancient Olympic Games. The second happened in the United Kingdom, which was the birth place of the first industrial revolution and outdoor recreation. The third was the second industrial revolution in America that resulted in the development of the professional and commercial sports and leisure recreation. These three innovations combined to make competitive sports and leisure recreation important dimensions of international/global culture as the current phase began with the third industrial revolution that started in America after WWII and spread throughout the world. Rapid urbanization turned cities into cramped and unhealthy industrial places filled with sedentary information workers and processors. As the need for recreation increased the space for it decreased and land and facilities for recreation and leisure activities became a problem of local government everywhere.

In the 1950s, the cold war rivalry between the Soviet Union and the US turned the Olympic Games into a tool of politics—a means of displaying dominance to the world. (Keys, B, 2003). China’s early sports policy adopted the Soviet model and made competitive sports a priority. The original State Physical Culture and Sports Commission (SPCSC) was established in Beijing in 1954 as a government ministry with the same status as other ministries such as Education, Finance and Commerce, directly under the leadership of the State Council. At the same time local sports commissions were established the provincial, municipal and county levels throughout China. These sports commissions were under the supervision of the SPCSC in terms of sport policy making and implementation, but received direct leadership from local government in terms of human resources, budgeting and operation. A centralized organization system for sports took shape. Organized by the sports commission, sports and physical education activities were carried out in cities, villages, schools, service sections, industry sections, commerce sectors, armies and government institutions at all levels. (Nicholson, M., Hoye, R. & Houlihan, B. 2010).

The turning point of China’s sports programs came in the 1970s with the famous “Ping Pong Diplomacy” that opened a new chapter in the relations between the American and Chinese people. Economy building domestic and foreign policies were adopted to serve the goal of "socialist modernization" producing living patters that embodied characteristics of both second and third industrial revolutions at the same time. As industrialization and technological advancements created the division of physical and mental work in China, people began sitting and working indoors. This brought on a series of new health problems with obesity, hypertension and depression. However, it became increasingly difficult for people to exercises because the rapid development of the city was eating their time and the spaces for exercise. In response to the increasing desire for health and beauty, the State Sports Commission was restructured to become the State General Administration of Sport and Recreation in 1998 and they started to commercialize sports and to introduce recreation services into people’s daily life. (Huang, 2004).
Nearly two decades of effort in promoting economic reform contributed to the rapid growth of the GDP as well as the transformation of citizen identity. The role of government is changing from “controller” to “server” of the citizens, who have come to identify themselves by their roles, or as a collection of parts of society rather than a single natural human being. Playing many different roles at school, at work and at home is very stressful; so the government assumed responsibility for providing facilities for recreation (a new societal activity and role) and programs to keep citizens healthy and happy. However, due to the growing and varied demands of residents, the centralized recreation management system could no longer meet the fitness needs of Chinese people.

When similar problems occurred in America at the beginning of the 1920s, the recreation movement grew in response to the increasing stress and confinement of workers. Industrial technologies not only brought increased productivity, but also a decreased in health due to the environmental pollution, and monotonous and heavy work. In order to raise the quality of life of the people of America through recreation, the American government promoted the development of community centers through making laws, setting standards, and providing grants. Community recreation was vastly improved through the operation of community centers. (Kinetics, H., 2013).

The idea of “community center” was introduced to China and central government decided to adopt it to develop its public recreation service. In 2003, General Administration of Sport and Recreation of China issued A Notification on the Pilot Project of the Community Recreation Club, which started a new era of the development in Chinese community recreation. In 2004 the Chinese Sports and Recreation Lottery allocated 0.3 billion Yuan for the construction of 25 community recreation clubs in China over a two year period. Today the Chinese central government sees community construction as vital developmental tool to maximize social development by providing facilities and programs of sports and recreation. This strategy was written in Chinese “12th five-year plan” which stresses “deepening the endeavor and improving the community recreation service and people’s livelihood.” (Chinese Central Government, 2011).

Background of Liuzhou

Liuzhou, also known as Dragon City, located in the middle of Guangxi Zhuang Autonomous Region, China With 2100 years history, it has been the biggest industrial city in Guangxi since 1928. Its GDP reached 212.08 billion Yuan in 2014. Based on figures from The 2010 Population and Housing Census the city has a population of 3.75 million (Guangxi Zhuang Autonomous Region Bureau of Statistics, 2011). On any given day about ¼ of the population (Liuzhou Sports and Recreation Bureau, 2015), nearly a million people, participate in some kind of sports or recreation activity. The city has 5,531 sports and recreation facilities and the area of sports and recreation ground is 4.86 million m². However, the per capita area of sports and recreation facilities is only 1.29 (Liuzhou Sports and Recreation Bureau, 2015).

The urban area is divided into 4 districts with 21 sub-district offices and 218 residential committees (Liuzhou Government, 2015). Liuzhou as a typical fast growing medium-sized Chinese city has been coping with a crisis in public recreation for the past 20 years. Just as water, sewer, and public safety are essential public services, sports and recreational activities are vitally important to maintaining the quality of life in a city,
ensuring the health of all citizens, and insuring the economic and environmental well-being of a city. Former traditional models of recreation service are changing; opportunities for recreation are more abundant than before; government and people are rethinking the role of recreation facilities, recreation in people’s daily life; and recreation leagues are expanding services while commercial enterprises are engaging in new and creative recreation opportunities. Government must continue to meet the demand for expanded public recreation service to satisfy the citizens.

**Data Collection and Analysis**

Attitudinal data were collected on sight in Liuzhou. Written questioners were distributed by the Liuzhou Sports and Recreation Bureau. A stratified sample composed of equal numbers from three different types of communities (traditional, company, commercial) was constructed and 700 questionnaires were distributed (650 to residents and 50 to community workers). Individual employees distributed the questionnaires on site so there is no guarantee of randomness. The rate of return for the questionnaire to residents was 91.7 percent (596) and 78 percent (39) for community recreation staff. Only 562 of the resident questionnaires were usable, but all 39 from the staff were good.

**Problems with Community Recreation in Liuzhou**

**Imperfect distribution of recreation facilities.** Recreation facilities are built in the middle and primary schools rather than residential area; entrepreneurial communities have more recreation facilities than mixed communities; some communities have a number of recreation facilities while other communities have nothing. The current distribution of facilities is inappropriate with 34.2% of recreation facilities that should be in communities located in parks and squares (see Table 2). This is convenient for the residents living near the park or square, but there are only 11 parks for 155 communities. “National Fitness Routes” are the most the most common community facility out of the 39 communities surveyed 23 had such a project, but maintenance problems are common—33.3% of recreation facilities didn’t work due to the lack of maintenance. (See Table 3)

**Lack of appropriate community recreation organization.** Liuzhou hasn’t set up an appropriate community recreation organization. 46.2% of the community recreation organizations are private gyms, which are usually located in the densely populated downtown area. Private gyms are not community recreation organizations; they are businesses. When it comes to community activities only 28.2% are organized by the residential committees while 64.1% of the morning and evening exercise sites organized by residents themselves. The remaining 17.9% reported “No any kinds of recreation organization in community”. (See Table 4)

**Traditional model of public recreation restricts the development of community recreation.** Affected by the old centralized model of public recreation: Nation Sports and Recreation Bureau, Province Sports and Recreation Bureau, City Sports and Recreation Bureau, District Culture, Sports and Recreation Bureau. The city recreation department neglects community recreation. Only 48.1% of communities have recreation working plans, a number of communities didn’t have any recreation plan at all. There are still no special government agencies in charge of community recreation at community level; a community offices should be responsible for community recreation. (See Table 5)
There is no stable funding for community recreation. Money is a big problem in the development of community recreation. The table 6 clearly indicates that 20.5% of community recreation funds comes from sports and recreation lottery and 30.8% of them are the business investment. The recreation fund is part of the city financial budget, but the Sports and Recreation government grant only covers 12.8% of actual costs. Budget requests for competitive sports and public recreation have been combined to increase chances for funding, but recreation still suffers given the priority of competitive sports. The club model provides a way to fill this gap.

Lack of recreation specialists in community. Most public recreation managers are not trained recreation specialists. Because the recreation organizations are not professionalized, trained specialists have no place to use their talents and realize their value. In Guangxi, 7 colleges offer recreation majors and produce more than one thousand graduates each year, but these recreation specialists cannot find jobs because of the way community recreation is presently structured.

Community recreation clubs can address this problem by charging fees to support specialized instruction. When asked, as shown in Table 9, 81.1% of residents said they would be willing to join such an organization and 5.2% of them choose “very willing”. Only 13.7% of residents are not willing to join such organization.

Almost all of community workers support the idea of a special community recreation organization (See table 10). When asked if they thought such organization were necessary, 56.0% of community workers thought it “very necessary” to set up a community recreation organization and 43.6% choose “Necessary”.

Best Practice: Bellevue Community Center

Bellevue is a city in King County, Washington, United States. The city had a population of 122,363 at the 2010 census. It is currently the second largest city center in Washington State with over 35,000 employees and 5,000 employers. Based on per capita income, Bellevue is the 6th wealthiest of 522 communities in the state of Washington. In 2008, Bellevue was named number 1 in CNN Money’s list of the best places to live and launch a business, and in 2010 was again ranked as the 4th best place to live in America. (United States Census Bureau. 2012). Bellevue's Parks & Community Services Department manages an integrated system of exceptional parks and open space, and offers recreatonal, cultural and human services programs. The Bellevue Parks & Community Services Department’s four community centers and arts center provide fun and safe environments for people of all ages. Programs at the community centers serve people of all ages, from youth and teens to seniors. The Crossroads Community Center’s operation, management and service programs provide an example of best practices that can be adapted for use in Liuzhou's districts and communities.

The management of community center. The community center, which opened in 1981, is a part of city government and the manager of center is government employee. In Bellevue, community centers are under the direction of the Parks & Community Services Department and receives operating, facilities and human resources from it. In the community center, the managers are civil servants who are in charge of the maintenance of recreation facilities and management of programs. Other paid employees and social volunteers, who are engaged in the operation of the recreation program. The operation of community center relies on the government budget, social
donation, voluntary service, facility rental and programs income. The majority of the programs in community center are chargeable and the rest are free. Low-income families get special consideration. The building of community center is a public facility, owned by the city of Bellevue. Recreation facilities in community center can be rented to the individual or organization for the purpose of recreation programs. Community Center can use school facilities after school and cooperates with recreation leagues in recreation training. (City of Bellevue, n.d.)

Community center provides many kinds of services: recreation, art, technology and knowledge. However, recreation programs get the biggest part of 40.9% of the total programs showed that recreation program plays an important role in the community service. Recreation programs are divided into four types of program according to their different contexts and purpose, respectively for fitness, for fun, for professional training and others. These programs are chargeable, while the community members are charged less than non-community members and youth and old are charged less than adult. (See Table 6) The majority of community recreation participants are seniors, youth, teens and disabled people and the arrangement of programs is careful based on their different needs. Senior participants want to keep healthy and youth and teen are looking for fun and be professional development. The disable people hope to enjoy life through interesting recreation programs. (Wang, Shang, & Tang, 2005)

Lessons for Liuzhou from Bellevue Community Center. Firstly, government should play important role in the building of community recreation facilities, the arrangement of professional staffs and coordination of the different communities as well as communities and government agencies. Secondly, a multi-tier model with the nongovernmental organization in the center improves the quality of community recreation service by a maxizing thee use of resources available in society.

Implementation of community recreation clubs in Liuzhou

Through the comparison, it is clear that the model of community recreation clubs could solve the problems of community recreation in Liuzhou. (See Table 7) Based on the experience on Bellevue community recreation center, the following approach and tentative model for community recreation clubs are proposed for Liuzhou. First, Liuzhou government needs to consolidate the 218 original residential areas into 155 communities as sites for community recreation clubs so that there are 2000 households in for each club and all residents are within 20 minutes travel time from a center.

The facilities in community recreation clubs. The government at city, district and community levels should take responsibility in completing the recreation facilities in communities. Usually, recreation clubs operate an indoor stadium with basketball, badminton, volleyball course and so on, as well as outdoor facilities such as soccer field, swimming pool and so on. The ownership of the clubs and their facilities belong to the community. What's more, the use right of school and enterprise recreation facilities inside communities will also be open to the community and operated by clubs after school and work. (See figure 2)

The management of community recreation clubs. Community recreation club should be under the supervision of Liuzhou Recreation Federation in terms of recreation standards and implementation, voluntary and grand, and also received direct leadership from local community office in terms of facilities, programs, budgeting and operation. (See figure 3). The manager of club is hired by the community office (local government)
and the Liuzhou Recreation Federation (Non-governmental organization) through open recruitment. Community recreation clubs should under the leadership of community office and submit annual budget to it. To meet the funding gap between funds from the community office and the actual cost, clubs should be active in seeking business sponsors, attracting social donations and expanding membership. Community members join in the clubs voluntarily and enjoy benefits such as professional programs, easy access to facilities and so on. Due to the non-profit nature of the club, the fees, and donations they receive must be used for the maintenance of the sport and recreation facilities, the operation of the recreation program and the basic operation cost of the club.

The service of community recreation clubs. The services provided by community recreation clubs include recreation programs to all levels, ages and abilities, recreation facilities as well as physical fitness test. Also it takes responsibility in organizing club members to participate in recreation activities at the city level. The majority of clubs services are chargeable, while members will enjoy cheaper fee than non-members in the usage of facilities, participation of programs and other service.

The structure of community recreation clubs. The manager is selected by the community office and community recreation clubs association through open recruitment. The manager is responsible for the operation of community recreation club and under the guidance of community office and supervision of community members. The Membership Developing Department takes charge of the development of club member. They explore the potential members and keep the exciting members. The Customer service Department will be in charge of the management of recreation facilities and proving relevant service. And the Fitness Instruction Department carries on the fitness programs and physical fitness test. (See figure 4)

Conclusion

Community recreation is a global trend that has swept all over the world and Liuzhou should not be left out of this circle. The survey clearly showed that Liuzhou community recreation faces a number of challenges, such as the lack of facilities, funding, and professional organization and staffs. These problems are caused by the traditional recreation model and the neglect of community recreation.

The community centers model has successfully overcome similar problems in the United States and provides valuable lessons for Liuzhou. The community center operated in Bellevue, Washington has strong vitality in the process of socialization and makes great contribution to the development of community recreation. Because of the socio-economic differences between the cities, some changes were made to accommodate the development status of Liuzhou. Based on the experience of Bellevue, a multi-tire center of community recreation clubs model could improve of Liuzhou community recreation and stimulate both the economic and social of the city.
References


Tang Jianjun, Su Peiren& Cai Xuelin. (2004). Conditions of Developing Community Recreation Clubs (Organizations) and Their Characters. *Journal of Beijing University of Physical Education. 3*.


<table>
<thead>
<tr>
<th>Numbers</th>
<th>Types</th>
<th>For Residents</th>
<th>For Community Recreation Staffs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribute(copies)</td>
<td>650</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Collect(copies)</td>
<td>596</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>Collecting Rate (%)</td>
<td>91.7</td>
<td>78.0</td>
<td></td>
</tr>
<tr>
<td>Valid Response(copies)</td>
<td>562</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>Valid Response Rate (%)</td>
<td>94.3</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>
**Table 2. The Fitness Place for Residents**

<table>
<thead>
<tr>
<th>Choices</th>
<th>Number</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Gym (Clubs or Center)</td>
<td>77</td>
<td>13.7</td>
</tr>
<tr>
<td>Recreation Stations</td>
<td>41</td>
<td>7.3</td>
</tr>
<tr>
<td>National Fitness Route Project</td>
<td>52</td>
<td>9.3</td>
</tr>
<tr>
<td>Working Place</td>
<td>43</td>
<td>7.6</td>
</tr>
<tr>
<td>Space Near Living Building</td>
<td>104</td>
<td>18.5</td>
</tr>
<tr>
<td>Parks and Squares</td>
<td>192</td>
<td>34.2</td>
</tr>
<tr>
<td>Forest, Riverside and Grassland</td>
<td>34</td>
<td>6.0</td>
</tr>
<tr>
<td>At Home</td>
<td>19</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>562</td>
<td>100</td>
</tr>
</tbody>
</table>

**Table 3: The Status of National Fitness Route Project in Community**

<table>
<thead>
<tr>
<th>The Choices</th>
<th>Number of community</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Don’t have National Fitness Route project</td>
<td>16</td>
<td>41.0</td>
</tr>
<tr>
<td>All of them are working well</td>
<td>10</td>
<td>25.6</td>
</tr>
<tr>
<td>Most of them are working well</td>
<td>11</td>
<td>28.2</td>
</tr>
<tr>
<td>More than half of them didn’t work</td>
<td>2</td>
<td>5.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Table 4: Status of Community Recreation Organizations**

<table>
<thead>
<tr>
<th>The Choices</th>
<th>Number of community</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private gym (recreation clubs or Fitness Center)</td>
<td>18</td>
<td>46.2</td>
</tr>
<tr>
<td>Recreation stations (sites) organized by residential committee</td>
<td>11</td>
<td>28.2</td>
</tr>
<tr>
<td>Residents self-organized Morning and Evening exercise sites</td>
<td>25</td>
<td>64.1</td>
</tr>
<tr>
<td>No any kinds of recreation organization</td>
<td>7</td>
<td>17.9</td>
</tr>
</tbody>
</table>
### Table 5: Status of Community Recreation Working

<table>
<thead>
<tr>
<th>The Choices</th>
<th>Number of community</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Follow the community recreation plans</td>
<td>19</td>
<td>48.1</td>
</tr>
<tr>
<td>According to the requirements of relevant authorities</td>
<td>9</td>
<td>23.1</td>
</tr>
<tr>
<td>No plan, organizing it at the time when it is needed</td>
<td>7</td>
<td>17.9</td>
</tr>
<tr>
<td>Don’t have time to deal with it due to the heavy routine workload</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Never organize due to the low enthusiasm of the residents</td>
<td>3</td>
<td>7.7</td>
</tr>
<tr>
<td>Never organize due to the lack of recreation specialist</td>
<td>1</td>
<td>2.6</td>
</tr>
<tr>
<td>Never organize due to the lack of recreation facilities</td>
<td>7</td>
<td>17.9</td>
</tr>
<tr>
<td>Organized by residents themselves.</td>
<td>10</td>
<td>25.6</td>
</tr>
<tr>
<td>Others</td>
<td>2</td>
<td>5.1</td>
</tr>
</tbody>
</table>

### Table 6: Sources of Funds for Community Recreation Facilities

<table>
<thead>
<tr>
<th>The Choices</th>
<th>Rate (%)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese Sports and Recreation Lottery Fund</td>
<td>20.5</td>
<td>3</td>
</tr>
<tr>
<td>Business Investment</td>
<td>30.8</td>
<td>1</td>
</tr>
<tr>
<td>Local Government Grand</td>
<td>23.1</td>
<td>2</td>
</tr>
<tr>
<td>Sports and Recreation Department Grand</td>
<td>12.8</td>
<td>5</td>
</tr>
<tr>
<td>Residents</td>
<td>7.7</td>
<td>7</td>
</tr>
<tr>
<td>Recreation Participants</td>
<td>17.9</td>
<td>4</td>
</tr>
<tr>
<td>Social Donation</td>
<td>5.1</td>
<td>8</td>
</tr>
<tr>
<td>Others</td>
<td>10.3</td>
<td>6</td>
</tr>
</tbody>
</table>

### Table 7: Sports and Recreation Instructors in Community

<table>
<thead>
<tr>
<th>The Number of instructors</th>
<th>The number of response</th>
<th>Rate(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>20</td>
<td>51.3</td>
</tr>
<tr>
<td>1</td>
<td>12</td>
<td>30.8</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
<td>7.7</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>5.1</td>
</tr>
<tr>
<td>4</td>
<td>2</td>
<td>5.1</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>100</td>
</tr>
</tbody>
</table>
### Table 8. The Service Programs in Community Center

<table>
<thead>
<tr>
<th>Types of service</th>
<th>Numbers of programs</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recreation</td>
<td>135</td>
<td>40.9</td>
</tr>
<tr>
<td>Art</td>
<td>51</td>
<td>15.5</td>
</tr>
<tr>
<td>Technology</td>
<td>105</td>
<td>31.8</td>
</tr>
<tr>
<td>Knowledge</td>
<td>35</td>
<td>10.6</td>
</tr>
</tbody>
</table>


### Table 9: A Survey on the Residents’ Attitude to the Establishment of Community Recreation Organization

<table>
<thead>
<tr>
<th>Choices</th>
<th>Residents (number)</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Center will</td>
<td>29</td>
<td>5.2</td>
</tr>
<tr>
<td>I will</td>
<td>456</td>
<td>81.1</td>
</tr>
<tr>
<td>I won’t</td>
<td>77</td>
<td>13.7</td>
</tr>
<tr>
<td>Total</td>
<td>562</td>
<td>100</td>
</tr>
</tbody>
</table>

### Table 10: A Survey on the Community Workers’ Attitude to the Establishment of Community Recreation Organization

<table>
<thead>
<tr>
<th>Choices</th>
<th>Community worker (number)</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very necessary</td>
<td>22</td>
<td>56.4</td>
</tr>
<tr>
<td>Necessary</td>
<td>17</td>
<td>43.6</td>
</tr>
<tr>
<td>I don’t care</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Unnecessary</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Very Unnecessary</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>100</td>
</tr>
</tbody>
</table>
**Table 11**: Comparison of community recreation in Liuzhou and Bellevue

<table>
<thead>
<tr>
<th></th>
<th>Community Recreation Organization</th>
<th>Management model</th>
<th>Fund</th>
<th>Service</th>
<th>Participation of residents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bellevue</strong></td>
<td>Community Center</td>
<td>Cooperation model with maximum support from society</td>
<td>Government Business sponsor Social donation membership and other service fees</td>
<td>Plenty of recreation facilities, programs and professional instruction</td>
<td>All ages, abilities</td>
</tr>
<tr>
<td><strong>Liuzhou</strong></td>
<td>Majority are Self-organized recreation stations</td>
<td>Government domination with heavy administrative color</td>
<td>Government Resident themselves</td>
<td>Lack of facilities, programs and the professional guide</td>
<td>Senior and teen</td>
</tr>
</tbody>
</table>

**Figure 1**: The Network of Community Center in Bellevue

- City Government
- Parks & Community Services Department
- Facilities, Fund, Officials
- Community member
- Community Center
- Activity
- Programs
- Volunteers and Employees
- Clubs or training Class
- School facilities and program
- City recreation and recreation facilities
- Other kinds of recreation league
- Social Support
Figure 2. Community Recreation Facilities

<table>
<thead>
<tr>
<th>Relationship with community</th>
<th>manage</th>
<th>Don’t manage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minor facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assist facility</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 3. The Management Model of Community Recreation Center in Liuzhou
Figure 4. *The structure of community recreation clubs*
Outside Pressure:
How Educational Financing Reforms Have Circumvented
Washington State Legislature?

Joshua Zender
Humboldt State University

Eric Allen
Central Washington University
Abstract

At both a national and state level, educational funding has been at the forefront of public budgeting deliberations. In the State of Washington, budget wars have reached new heights. Finding new sources of revenue to address educational needs and inequities is at center stage. Under a traditional system, resource allocation decisions are determined through a formalized biennial budgeting process that is controlled by state legislature. However, lawmakers “power of the purse” authority has been circumvented with respect to educational funding decisions. In 2012, the Washington State Supreme Court found the State had violated a paramount duty to educate all children in the *McCleary v. State of Washington* decision. In 2014, Washington voters approved Initiative 1351, which effectively mandated much smaller classes at the secondary level. These two events have created significant demands on lawmakers’ ability to pass a balanced state budget. This study examines the historical impetus for these measures, as well as the politicians’ response to these externally imposed forces.

Introduction

In many respects, state constitutions are closely modeled after the U.S. constitution. The founding fathers’ philosophical views of accountability underpin many state laws, especially with respect to the budgetary process. One of the greatest fears of the founding fathers was to replicate the British monarchial experience. If such bureaucratic controls were absent, the underlying fear was that “public monies that could otherwise help intended beneficiaries” (Berek and Shetterly, 1996, p. 113) would be misappropriated. As a representative body of the people, legislature typically plays a dominant role in both policy making and oversight of the financial affairs of the state.

Under a traditional financial process, budgets go through a well-defined cycle involving lawmakers at each stage: 1) preparation, 2) formulation, 3) adoption, 4) execution, and 5) audit. For instance, legislature will go through a lengthy review and debate of the executive’s proposed budget using insights from government agencies, citizens, and lobbyists. In Washington State (and many other states), legislature is also responsible for building a final budget document that will balance tax revenues and expenses. Given the competing interests of pleasing constituents and constitutional balanced budget requirements, the structured budget process creates a sense of predictability, which some may describe as being incremental in nature. “For there to be control, there must be a conjecture of purposes; the promises government makes to others must coincide with its own budgetary plans” (Wildavsky and Caiden, 2003, p. 22). Incrementalism is the allocation of values within given constraints and is the best process for “discovering and enforcing such preferences” (Wildavsky, 1978, p. 309).

Judicial mandates and direct democracy popular initiatives disrupt the traditional “incremental” budgetary process in that legislature no longer serves the important role of neutral arbitrator of value preferences. As opposed to making adjustments at the margins and controlling budgetary winners and losers, lawmakers must adapt their budgetary proposals around an unforeseen fixed sum obligation. In the case of the McCleary Decision and I-1351, the obstacle has proved to be so large lawmakers have encountered significant political exposure as they grapple with the development of the
new budget.

McCleary Decision

In 2007, Matthew and Stephanie McCleary filed suit against the State of Washington on behalf of their two school-aged children and in collaboration with multiple education advocacy groups. The suit claimed the State was not upholding its duty in regards to education. At the time, educational spending had reached its lowest level as a percentage of the overall state budget representing only 38% of total spending, which equated to about $5,000 in spending per student. A decade prior K-12 spending represented nearly 45% of the state’s budget (see Figure 1). For several years, lawmakers had been cutting K-12 programs to fund other priorities of the state, most notably to offset the growth in Medicaid and other social services.

While state constitutions’ guarantee, at a minimum, the same rights afforded under the U.S. bill of rights, “state constitutional provisions may guarantee additional or more extensive rights to citizens” (Bowman and Kearney, 2011, p. 65). In Washington, the state must provide free education for all children via the public school system. Article IX, Section 1 of the Washington State Constitution specifies the only “paramount duty” of the State: “is to make ample provision for the education of all children residing within its borders.”

One of the key issues at stake in the McCleary v. State of Washington case was to effectively operationalize constitutional intent around service quality. For example, the Supreme Court grappled with: 1) what is the correct interpretation of the words ‘paramount’, ‘ample’, and ‘all’ in Article IX?; 2) What is the correct interpretation of the word ‘education’? 3) Is the state currently complying with its legal duty under this court’s interpretation of the language? 4) If the state is not currently complying with its legal duty under this court’s interpretation of Article IX, what (if any) Order should this court enter to uphold and enforce the State’s legal duty? (McCleary v. State of Washington, p. 2). The Court had determined the word “education” as listed in Article IX, “consists of the opportunity to obtain...knowledge and skills...[but] does not reflect a right to a guaranteed educational outcome,” while “ample” referred to “fully, sufficient, and considerably more than just adequate” (McCleary v. State of Washington, p. 33).

Using this legal criteria, the justices focused their efforts on understanding current funding practices versus need. For example, they determined that while schools were receiving ample state funding, a significant share of money was being used for administrative and overhead costs at the expense of direct classroom expenditures. One study found that only 60 cents per dollar was making its way to the classroom. Furthermore, the justices determined the local levy funding structure had created inequities in education quality from school district to school district based on the affluence of local communities. In some districts, students lacked essential supplies, materials, and other basic instructional resources. On January 2012, the Court handed down its ruling: “the State Legislature has failed to fulfill its paramount duty under the state to ‘make ample provision for the education of all children residing in its borders...’” (Finne, 2014). The Court declined to impose an immediate remedy, recognizing the legislature’s key role in the budget process and reforming the local levy system (see Figure 3).
Policy prescriptions designed to address the Court’s ruling were mixed. The Washington Education Association, one of the major supporters of increased education funding, called the decision “a big win for Washington students and schools...our students and schools can no longer bear the impact of further funding cuts. Today, the state Supreme Court agreed” (WEA, 2012). Public employee unions, including Teacher’s associations, supported the ruling and called for large increases in educational spending. Meanwhile, conservative interests insisted the educational system needed strong policy changes and operating improvements first (Finne, 2014). In essence, demanding public school reforms before channeling additional tax dollars at the problem. Funding the mandate also proved to be a politically divisive issue.

During the legislative session immediately following the judicial decision, the legislature was faced with a budget crisis at a statewide level. The state would have to impose budget reductions of $12 billion dollars in FY2009-11 and $6 billion in reductions in FY2011-13, namely due to the national economic recession that had crippled the country. While some of these budget reductions would be offset through federal recovery dollars, the Court ruling had imposed a significant constraint upon legislature. With no state income tax, the state relies heavily upon the sales tax, which represents about 60% of all own-source revenues. According to Bowman and Kearney’s (2011) research, the sales tax is generally perceived to be fairer by citizens (p. 358); however, tax revenues tend to be very susceptible to economic cycles. Given this reality, the state’s options were limited in the absence of dramatic tax revenue reforms.

To address the budget gap and court order the legislature attempted to patch the problem by re-prioritizing other spending requests, such as transportation and environmental resources, towards the K-12 system. The FY 2013-15 biennial budget added $1.6 billion in educational funding, which increased funding-per-student by about 15% (see Figure 2). However, many argued the reallocation was not enough. In the ensuing months, key lawmakers would voice their concerns.

Sen. Rosemary McAuliffe, a Democrat, argued for “a substantial overhaul of the tax system in order to fund education including early learning for our most at risk children, lower classes in K-12 and access to college for our students through financial aid” (McAuliffe, 2013). McAuliffe introduced Senate Bill 5624 which aligned high-demand secondary STEM or Career and Technical Education programs with applied baccalaureate programs (McAuliffe, 2013). Rep. Ross Hunter, Democratic chair of the House Appropriations Committee, noted “districts are paying for many services that are part of the legal definition of ‘basic education’ and that consequently the state should be paying for” (Hunter, 2015). Hunter’s bill sought to address inadequacies relating to school supplies and other essential instructional resources within at-risk school districts. Despite these efforts, further legislative action to address the educational funding crisis had stalled in light of statewide budget deficits.

In defense of many progressives, the Supreme Court intervened on several occasions expressing the view that not enough legislative action had been undertaken to remedy the K-12 funding problem. In September of 2014, the Court held the legislature in contempt for failure to fully comply with the McCleary decision, writing the State “‘is engaged in an ongoing violation of its constitutional duty to K-12 children’ and it ‘has known for decades that its funding of public education is constitutionally inadequate’” (O’Sullivan, 2014). Many legislators applauded the actions of the justices,
agreeing that sufficiently more could be done. Sen. Christine Rolfes, D-Bainbridge said “I hope today’s announcement will convince everyone that the court is not only serious, but that we have difficult decisions to make that will require real compromise to reach real solutions” (O’Sullivan, 2014). In the contempt order, the Court held that the State was required to fully fund basic education as defined by the state constitution, without relying on local levies or federal money. They also imposed a requirement for the development of a performance-based accountability system for any funds and programs, to ensure full efficiency and optimum results (Day, 2015).

Initiative 1351

While the Supreme Court was attempting to address inadequate educational funding mechanisms, special interest groups were orchestrating a parallel movement to increase funding within the K-12 educational system. Initiative 1351 required fewer students per classroom in grades K-12, by setting a limit on the number of students per class: grades K-3 were permitted to have a maximum enrollment of 15-17 students, and higher grades limited to no more than 25 students (Initiative 1351, 2014). According to the OFM fiscal impact statement (2014), the initiative would create 15,000 new teaching positions, which was projected to result in $2 billion in new spending in FY2015-17 and another $2.7 billion in FY2017-19 biennium (p.2). Despite detailing spending mandates, the initiative did not specify how classroom expansion would be paid for.

The strengths and weaknesses of the measure were highlighted through arguments made in each opposing political camp. Proponents of the measure pointed out the reforms were grounded by empirical research. In fact, the legislature had specifically charged the Quality Education Council with developing educational reform recommendations in 2009. These in-depth studies suggested smaller class sizes would result in increased educational outcomes and set the stage for I-1351 campaign. The Yes campaign would mobilize around these findings claiming “every child, regardless of family income, race, or where they live, deserves a quality education in an uncrowded classroom... especially in Science, Technology, Engineering and Math (STEM) programs” (Yes on 1351, 2014).

On the opposing side of the measure, the No campaign focused on the financial implications of the measure. “Washington spends less on higher education, nursing homes, cancer research and state parks combined than I-1351 requires... further, only one-third of the proposed spending is for reducing class sizes. The remaining two-thirds goes to hire over 17,000 people who are not classroom teachers...” (No on 1351, 2014). Opponents noted the pension liability in the state would balloon by adding more teachers and staff (Finne, 2014). Other groups, such as the Association of Washington School Principals (AWSP), highlighted most “school districts lack the physical space needed for the additional classrooms required under I-1351...this initiative would tie districts’ hands and eliminate any discretion in how best to spend new revenue to increase student achievement” (Kipp, 2014). AWSP noted the measure would represent about 1/3rd of the $15 billion dollar education budget yet offer limited flexibility to administrators. Consequently, even legislative supporters of the McCleary decision could not endorse Initiative 1351 calls for a mandated school-to-teacher ratio. Ross
Hunter, as one example, stated “in the short run I don’t know how to pay for it and so I’m not supporting it” (Higgins, 2014). Despite these concerns, the initiative would narrowly pass on November 4th, 2014, by a margin of 51% to 49% creating new dilemma for lawmakers.

**FY 2015-2017 Biennial Budget**

The passage of Initiative 1351 and on-going uncertainty around appropriate funding levels to address the *McCleary* decision led to a lengthy budget showdown in the 2015 legislative session, which extended into three overtime sessions. Experts note the longest legislative session on record was mostly due to the inability to decide on appropriate funding levels for education. Senator Andy Hill, a Republican, noted “if you look at the outlook as it stands today, we’re two billion short which matches pretty close to Initiative 1351” (Salerno, 2014). Finding new resources to close the budget deficit proved to be challenge for lawmakers.

Initial efforts to address the budget gap created by the *McCleary* decision and passage of Initiative 1351 proved to be nothing less than ambitious failures. Democrats proposed a $1.5 billion tax reform package, but were met with sharp opposition from the Republican Senate coalition who opposed any new capital gains tax on high earners, additional corporate taxes, or expiration of business and occupation tax preferences. Democrats would back off this idea and opted for a less ambitious plan that would rely on $300 million dollars in new marijuana tax revenues arising from Initiative 502, $100 million from account transfers, and $25 million from various government efficiency savings, but still leaving well over $1.5 billion in shortages (Santos, 2015). Other legislative proposals included “limiting exemptions like the state sales tax exemption for residents who live in states without a sales tax, like Oregon…[to] raise $356.5 million for the next two year budget” (Knutson, 2015). Republicans likened both plans to “[writing] a check they can’t cash.” Meanwhile, Democrats called the Senate Republican budget proposal nothing more than “smoke and mirrors” (Jenkins, 2015). Political partisanship would lead to repeated delays in the passage of the FY2015-17 biennial budget and would bring the state government to the brink of a shutdown on July 1, 2015.

Notwithstanding public school teacher strikes and other seemingly insurmountable obstacles, the legislature would manage to successfully pass a budget to avert the government shutdown. The new budget added “$1.3 billion in basic education...with provisions to expand all-day kindergarten and lower class sizes in kindergarten through third grade” by closing several tax exemptions and loopholes (Camden, 2015). In the end, the $38 billion budget passed was closely in line with both the House Democrat spending plan of $38.2 billion and the Senate Republican plan of $37.9 billion. Consequently, the Washington State Attorney General’s Office would issue a bold opinion “so much progress toward fully paying the cost of basic education that the Supreme Court should dissolve its contempt order on educational funding” (Blankenship, 2015, A2).

Despite increasing basic educational funding, the budget proposal essentially circumvented the hard choices confronting lawmakers in several important respects. For example, the budget would delay implementation Initiative 1351 until 2019. Additionally, the measure suspended the teacher cost-of-living increases called for
under Initiative 732 (Santos, 2015). Most importantly, the budget had not solved funding inequities created through the old local levy reform system. Several bipartisan proposals focused on local levy funding reform had been circulating within the halls of legislature, but none were enacted into law.

Furthermore, response to the budget compromise was mixed across party lines. Lake Washington Education Association, as one example, posted on their Facebook page “disappointed and angry does not even come close to describing how we are feeling” followed by a list of House members who were against suspending the initiative (LWEA, 2015). One right-wing group responded by saying “the union cannot deny the state budget works to improve education. It’s just throwing a fit that it doesn’t pump millions into its own selfish interests” (SHIFT, 2015). School administrators and politicians engaged in more measured dialogue. Davenport School District Superintendent called the suspension of I-1351 a smart policy “we don’t have the capacity for facilities or for teachers and you’ve got to build that foundation before you can just implement lower class sizes” (Jenkins, 2015). Governor Jay Inslee, who was a firm supporter of fully funding education and lowering class sizes, quietly signed the bill, not seeing a good alternative for the time being.

At height of public outcry over legislative inaction, the Supreme Court stepped in once again to flex its political muscles in the summer of 2015. The court rendered the opinion: “it is evident that the 2015-17 general budget makes significant progress in some key areas, for which the legislature is to be commended” (McCleary Follow-up Order, 2015, p. 5). For instance, progress has been made in achieving the target average class size for kindergarten and first grade, all-day kindergarten, and per-student expenditure goals. However, the court cited outstanding disparities in class sizes when comparing high-income to low-income schools, insufficient progress in meeting optimum class-size ratios in higher grades, and inadequate teacher compensation (pp. 6-7). As a consequence of these findings, the State “remains in contempt of the court” (p. 8) and will be assessed “a remedial penalty of $100,000 per day until it adopts a complete plan for complying Article IX, Section 1 [of the Washington constitution]” (p. 9). Penalties will be held in a separate account benefitting basic education.

Reaction from both sides over the court’s recent decision was swift. Attorney Tom Ahearne, who represents the McCleary family, simply stated “it is about time” (Brand, 2015). Senator David Frockt points out “that more revenue is going to be needed in the system” (see Figure 4) and Senator Joe Fain highlights “we have an unconstitutional levy structure that needs to be addressed” (Brand, 2015). Meanwhile, nineteen senators penned an open letter criticizing the fine and calling the court out of order. Senator Baumgartner said, “we don’t pass laws telling the Supreme Court how to rule in specific cases, and the Supreme Court can’t tell the legislature how to make political decisions about budgets. The court ought to know better. The issue isn’t about education anymore, but about the survival of our form of government” (Monk, 2015).

Conclusion

One of the principle orders of the budget is to effectively balance political demands. Washington state lawmakers decision to delay implementation of I-1351 until
2019 and failure to address the needs outlined within McCleary decision reflects a growing sense among the electorate that legislature has lost control of the budgetary process. Under incrementalism, politicians are presumed to “muddle through” the decision-making process and “satisfice” through marginal changes. By shifting the discourse to dollars (away from programs), budget balancing obscures the impact of cuts on services; thereby, reducing conflict in the budgeting process. A basic strength of incrementalism has become the Achilles heel for Washington lawmakers grappling with outside pressures.

References


Figure 1: K-12 Spending as a Percentage of the State Budget: 1977-2017

Source: OFM (2015)
Figure 2:  *Washington State per Student Spending: 2005-2017*

![Bar chart showing state per student spending since 2005.](image)

Source: OFM (2015)

Figure 3:  *Washington State Expenditures by Major Functional Area: 2011-2013*

![Pie chart and table showing budgeted expenditures by major functional area.](image)

Source: OFM (2013)
Figure 4: Washington State per Student Spending: 2005-2017

Source: Washington State Economic and Revenue Forecast Council (2014)
Reindustrialization in Urban China: A Policy Analysis for Yufeng District

Huanhuan Zeng
Central Washington University
Yufeng District Government
Abstract
A policy analysis that takes an ecological approach to reindustrialization of Yufeng in Liuzhou City, a typical industrial city in southwest China. The problem is finding the best way to transform the Yufeng district's economic structure. As one of the urban districts of Liuzhou city Yufeng must clear and clean up its old industrial areas to create an attractive environment for reindustrialization and the development of a revised industrial structure. However, conflicts over land value and land use between government and private enterprises have prevented the establishment of clear criteria and blocked the process. Stakeholder interviews and a stakeholder mapping provide the basis for the comprehensive ecological assessment and a rational analysis based on four criteria (efficiency, financial factors, public value, and stakeholders' interests) of policy options. The paper concludes with the recommendation that 22 selected high-polluting enterprises should be quickly moved out and that gradually all of the industrial enterprises of the Jinglan industrial zone should be relocated. This will allow the Yufeng District government to engage the enterprises, upgrade industrial technology through relocation and to attract new investments to develop high technology and service industries after cleanup.

Introduction

Background
The concept of Ecology in public administration is receiving a lot of attention not only from the scholars in China, but also from many on-the-line practitioners of administration. It has been 70 years since John M. Gaus first introduced the term “Ecology” into public administration in his famous lectures at the University of Alabama in 1945. He listed seven critical environmental factors that are useful in explaining “the ebb and flow of the functions of government”: people, place, physical technology, social technology, wishes and ideas, catastrophe, and personality (Gaus, 1947, pp. 6-19). His main concern was with the problem of “How the people, in relationships with one another, use their technologies to get a living from the place” (Gaus, 1947, p. 6). His ideas are most relevant because he lived a period of “change” in the US not unlike the situation in China today. At present, China is in the period of transformation. Changes happen everywhere, every moment. National initiatives of the 1980’s that produced rapid economic growth created dilemmas and the need to manage both industrialization and urbanization. As the industrialization accelerated the rate and nature of urbanization began to create problems.

Liuzhou City is the second largest city and the largest industrial base in Guangxi Zhuang Autonomous Region. Over the past twenty years, the processes of industrialization and urbanization have resulted in a shortage of the land that poses barriers to further development. From the perspective of ecology, the original layout of Liuzhou’s industries and its industrial structure are no longer fully support the people because of the changes in technology, people’s ideas, and impact on the environment. To cope with this problem, Liuzhou City has devised a strategy for the transformation, which involves extending the urban core through the creation of new districts, conversion of rural to urban space, and development of peripheral industrial zones. New space will become available as old polluting industries move out so that after the space is cleaned up, they can be replaced in the old core with less polluting high end technology and service sectors facilities.
**Problem Statement**

Due changes of technologies, population, and ideas of the residents, the Jinglan industrial zone is no longer suitable for a concentration of heavy industry. The problem for Yufeng district government is twofold: (1) Technical problems of land shortage, redesign of industrial structure, and development of service industries and public services and (2) Conflicting interests that block progress.

**Research Questions and Approach**

How can Yufeng District’s industry be sustainably restructured to create an attractive and more productive environment? Or, in concrete terms: What areas will be cleared? Which enterprises relocated? Where will they go?

There are no ideal answers to these questions. The answers involve live issues that must be reconciled through the creation of criteria, acceptable to relevant stakeholders, so that binding decisions can be made.

Government documents from Liuzhou, Stakeholder interviews and a stakeholder mapping provide the basis for the comprehensive ecological assessment (Gaus, 1947) and a rational analysis (Kettl, 2014) of policy options based on four criteria (efficiency, financial factors, public value, and stakeholders’ interests).

Due to conflicting interest demands of the city government, the district government, the private enterprises, and the residents, the process of policy making for enterprise relocation decisions in the Yufeng district was blocked. The inter-organizational relationships among these stakeholders became the key to finding a solution to the overall problem. Through stakeholder mapping the relationships among the interests were identified and viable alternatives were constructed.

Means-ends analysis based on the criteria of efficiency, financial factors, public value, and stakeholders’ satisfaction was used to evaluate each option. The Criteria: (1) Efficiency, in this case, means simply that the relocation can be completed before the deadline set by the City. (2) The Financial Factor requires a balance between government subsidies paid to the relocating enterprises and lost revenue resulting from the move. This is complicated since as enterprises move out the revenue of the district and its ability to pay decrease. In the long term, if the service industry develops well in the cleaned up areas, the revenue will return, but somehow the funding levels must be maintained. (3) Collective well-being is the public value: the government’s duty to provide better services to the public. (4) Agreement among all stakeholders that compromises across the other three criteria will satisfy survival needs.

Based on an analysis of the alternatives, the paper concludes with recommendations that will allow the Yufeng District government to engage the enterprises, upgrade industrial technology through relocation and to attract new investment to develop high technology and service industries after cleanup.

**Analysis and Evaluation**

**Stakeholder Profiles**

_Liuzhou Municipal Government and Its Goals:_ There are 7 main departments in the Liuzhou Municipal Government concerned with the enterprise relocation work: the general office of Liuzhou Municipal Government, the Liuzhou Municipal Commission of Industry and Information, the Liuzhou Municipal Commission of Development and Reform, the Liuzhou Municipal Bureau of Environmental Protection, the Liuzhou Municipal Bureau of Land and Resources, the Liuzhou Municipal Bureau of Urban_
Planning, and the Liuzhou Municipal Bureau of Finance. The general office is the central department in the city government. It is in charge of information transmission, departments’ cooperation, and comprehensive decision-making. The Commission of Industry and Information is interested in the restructuring of the industries and the technology upgrading of the industrial enterprises. The Commission of Development and Reform is concerned about the reform of the second industry and the development of the service industry. The Bureau of Environmental Protection wants to solve the pollution problems in Liuzhou city. The Bureau of Land and Resources is in charge of the land consolidation, land expropriation, and approving the changes of the land usage. The Bureau of Urban Planning advises on the planning of the cleaned up areas to the Yufeng district government. The Bureau of Finance provides the financial support for the relocation and technology upgrading of the enterprises. In sum, for the Liuzhou municipal government, the goals are to encouraging industrial enterprises to move to new districts and developing service industry in the cleaned up areas, thus reducing pollution and restructuring the city’s industry.

The Liuzhou government wants all the enterprises in the Jinglan industrial park to relocate. Its preferred alternative is that all enterprises in the Jinglan industrial park should move to the new district or other industrial parks and that the enterprises should start working on relocation before the end of 2015. The city offers incentives through its preferential policies, but the Yufeng district government is responsible for oversight of the program.

**Yufeng District Government and Its Goals:** The Yufeng district government is the decision maker in this case. It aims to move industrial enterprises from urban areas to a new type industrial park, to upgrade the technology of industrial enterprises, to maintain industrial growth rate, to reduce the cost of enterprises relocation, and to attract new investment to develop service industry in the cleaned up areas.

Adjusting the industrial structure and upgrading industrial technology are two key tasks in the Yufeng district. The key project is the construction of the District’s Luowei industrial park. The development of the park must keep pace with the demand of industrial enterprises as they move while facilitating the upgrading technology and pollution reduction. Yufeng district has implemented a series of preferential policies to attract high technology industrial projects such as electronics, biology, medicine, and environmental protection (Yufeng District Government, 2015). J. X. Wang (personal communication, April 28, 2015), a staff member in the Yufeng district government, said that Yufeng district started the investigation one year ago. After contacting and meeting with these enterprises, the Yufeng district government settled on 22 enterprises in the Jinglan industrial park for relocation. By assisting with technology upgrading and production capacity expansion as these enterprises relocate, industrial output will be maintained and pollution problems solved.

The Yufeng district government’s next problem is development of the service industry. Through integrating the land resources of the moved-out industrial enterprises, Yufeng district is trying to attract investments in department stores, hotels and other service projects. In 2015, Yufeng district has entered into agreements with enterprises for 27 service industry projects, with the total investment of $2.2 billion (Yufeng District Government, 2015).

The real problem for the Yufeng district government is the maintenance of revenue
streams during the transition to Luowei that combined with income from service sector development in the core will replace lost revenues while maintaining employment levels.

To do this Yufeng district proposes (1) to move only 22 selected enterprises in the Jinglan industrial park according to the time schedule made by the Liuzhou municipal government, (2) to move most of these enterprises to the Luowei industrial park, (3) to maintain production capacity and reduce pollution through technology upgrading and expansion of the relocated enterprises, and (4) to satisfy the relocation needs of enterprises with compensation from the city.

The Selected Enterprises and Their Goals: The selected enterprises are interested in maximum profit during the move and a better location. The targeted enterprises did not generally hold positive attitudes about the enterprise relocation program. Those that were natural about this program, although not excited, were willing to follow the governments' requirements. The rest demanded more compensation. Lida (Liuzhou) chemical co., LTD (Lida) made the most extreme demands with the other enterprises ranging along the spectrum.

Lida is a private limited company founded in 1994 and owned by the Singapore Lida (Far East). It is a new technical enterprise whose major products are sorbitol and other starch value-added products. The Yufeng district government contacted Lida co. several times, and held numerous meetings to encourage them to relocate. Lida finally agreed to participate under the following conditions: (1) the Liuzhou municipal government makes satisfactory land planning adjustments, (2) a higher price for the land at their current location, and (3) no expansion of production capacity and no new projects in Liuzhou city (J. X. Wang, personal communication, April 28, 2015).

Relevant Communities and Their Goals

Residents want less pollution, more public service facilities, and a better living environment. There are four main resident communities in an area of about 0.5 kilometers around Jinglan industrial park. Their position is clear: the city and district governments should do whatever it takes to get the enterprises to move and the enterprises should move away as soon as possible.

Residents in all of the communities had been writing letters to the Mayor to complaining about the pungent odor discharged from the Lida factories so the settlement with Lida produced a very favorable response.

Key Stakeholder Conflicts

The key conflict for the City Government and the District Government is about the new location for the enterprises. The Yufeng district government wants most relocated enterprises to be concentrated in the Luowei industrial park that located in the Yufeng district, while the city government wants some enterprises move to new districts or other industrial parks. Each enterprise moving out of Yufeng district decreases its revenue dramatically. SO, if too many enterprises leave the district it will not be able to cover the costs of the program.

The key conflicts for governments and enterprises involve land use plans and the price to be paid for the land and the extent of technology upgrades and increases in production levels. The companies want to upgrade their present locations to increase their return from the move and they want to limit rebuilding costs. The governments want to lower or maintain classifications to minimize purchase costs while requiring the latest innovations for new construction and maximum increases in production.
The key Conflict between the Selected Enterprises and the Relevant Communities is pollution of the environment and they want those enterprises to move away while the enterprises have their own explanations and own requirements.

The Conflicts between the Relevant Communities and the City/District Government: The communities want those enterprises relocated as soon as possible while the governments have their own schedule.

An acceptable policy must satisfy all of the stakeholders because each of the stakeholders can cause the policy’s failure. For instance, if the governments ignore the voices of the enterprises, then these enterprises might choose not to relocate, or even worse, they might leave the city and will not invest in Liuzhou again. If the governments ignore public opinions, it may cause increasing complaint. However, if the governments meet the enterprises’ every requirement, it may also result in problems – the governments may not meet their original goals.

Common interests

Fortunately, there are common interests which mitigate the severity of the conflicts. The Yufeng district government and the Liuzhou municipal government share the similar interests of solving the land shortage and pollution problems, technology upgrading, and the industrial restructure. The residents, the district government, and the city government share the common interests of solving the pollution problem and keep the employment rate and the enterprises have a considerable investment in the city and its people.

Identify Alternatives

In the contest of the common interests a search for viable tradeoffs on the key conflicts yielded three alternatives.

Alternative 1: The first option is to move all enterprises of the Jinglan industrial zone from urban areas to new districts and/or other industrial zones by the end of 2015, and give the relocated enterprises relocation subsidies and technology upgrading subsidies according to the documents of both the Liuzhou municipal government and the Yufeng district government.

Why the enterprises in the Jinglan industrial zone? In this option, all the enterprises in Jinglan industrial zone relocate. This suggestion can be traced back to the urban construction plan of Liuzhou city which shows that the Liuzhou government planned to gradually relocate all enterprises in the Jinglan industrial zone (Liuzhou Municipal Government, 2011).

Why the new districts/ other industrial zones? This option suggests that all the relocated enterprises move from the urban areas in Yufeng district to new districts and/or to other industrial zones all over Liuzhou city. This suggestion is relevant to a preferential policy. In 2007, Liuzhou municipal government set up a series of preferential policies to encourage relocated enterprises to gather into the new districts or big industrial zones (Liuzhou Municipal Government, 2007). One of the requirements was that all the relocated enterprises should gather into industrial zones. In addition, preferential policy also suggested that each industrial zone has different functions so different types of enterprises should move to different industrial zones (Liuzhou Municipal Government, 2007).

Why 2015? The first option sets up the time schedule for the enterprises to complete their relocation. It is based on the tasks in the Short-term Construction Plan of Liuzhou City (2012-2015): the relocation of the Jinglan industrial zone should be done within the
year 2015 (Liuzhou Municipal Government, 2007). It is also related to the communities’ expectation: to complete the relocation as soon as possible.

**Why subsidies from both the Liuzhou municipal government and the Yufeng district government?** According to the Liuzhou municipal government (2007), Liuzhou city encourage the industrial enterprises to be concentrated in the new districts or big industrial parks, and the relocated enterprises can get certain relocation compensation if they follow the listed requirements. The Liuzhou financial bureau also will give the enterprise construction funding for new buildings and technology upgrading (Liuzhou Municipal Government, 2007). Shares the same view with the Liuzhou municipal government, the Yufeng district government also believes that by encouraging the enterprises to upgrade their technologies, the industrial productivity, quality and efficiency can be improved. In 2014, Yufeng district government spent about $3.8 million on science and technology fund and $1.1 billion on renewal and reconstruction funds to support industrial enterprises for technology upgrading and fixed asset renewal (Yufeng District Government, 2015).

**Alternative 2:** The second option is to move 22 selected enterprises of the Jinglan industrial zone to a new industrial zone in the Yufeng district by the end of 2015, and give the relocated enterprises relocation subsidies and technology upgrading subsidies according to the Liuzhou municipal government’s documents and the Yufeng district government’s documents.

**Why the 22 enterprises?** J. X. Wang (personal communication, April 28, 2015), a staff member in the Yufeng district government who is working for this program, said that the Yufeng district started the investigation one year ago. After holding meetings with these enterprises, the district government selected 22 enterprises in Jinglan industrial zone for relocation. These selected enterprises are the low-tech and high polluting enterprises. As soon as these polluting enterprises move out of these areas, most pollution problems will be solved. In addition, technology upgrading and production capacity expansion are also encouraged when these enterprises relocate, thus industrial growth can be improved, and pollution problems can be solved.

**Why the Luowei industrial zone?** The new location of these enterprises meets the district’s objectives. The Luowei industrial park was built in 2009. It is located in the southeast of Liuzhou City, near the Liuzhou airport, 4 kilometers away from the highway exit. It has a total area of approximately 14198 acres. The Luowei industrial zone tends to introduce high technology industrial enterprises such as electronics, biology, medicine, and environmental protection industrial projects to realize industrial scale development. In 2014, the industrial output value of Luowei industrial park was $1.74 billion, accounting for about 39% of the gross value of industrial output in Yufeng district (Yufeng District Government, 2015).

By adjusting the industrial structure of the park and compensating by upgrading the technology of relocating industries Yufeng district will be able to maintain industrial growth and employment while reducing pollution.

**Alternative 3:** The last option is to move the selected 22 enterprises of the Jinglan industrial zone to new districts and/or other industrial zones by the end of 2015, and to relocate other enterprises in the next few years. Give the relocated enterprises relocation subsidies and technology upgrading subsidies according to the Liuzhou municipal government’s documents and the Yufeng district government’s documents.
Why separate the relocation work as two periods? The last option mixes the two previous options together and makes the policy more flexible for the district government to implement. First, because the investigation of the 22 selected enterprises has been done, it is easy for the district government to complete the relocation of these enterprises. Second, it gives the district government more time to persuade those enterprises who hold the reluctant attitude. What's more, the economic pressure can be released to some extent.

The three potential solutions are different from each other in enterprises selecting, new location selecting, time schedule of the relocation, but they are similar in preferential policy which will satisfied the relocated enterprises. They are different because of the conflicting interests of the stakeholders. The table 1 below shows the major elements of the three alternatives.

Application of Criteria

**Efficiency:** Efficiency means productive use of resources. In this paper it was used to examine whether the Yufeng district government can complete its relocation before the deadline which set by the Liuzhou municipal government. The relocation policy's efficiency is not only measured by the set-up time schedule, but also needed to take into account the implementing difficulties that will lead to the situation that the task cannot be completed on time.

**Financial factors:** From the decision maker’s perspective, the financial factors consist of the government subsidies paid to the relocation enterprises and the lost revenue from the moved-out enterprises. The financial factors were used to test the alternative which has the least negative impact on the district financial development.

**Public values:** In terms of public value, the author mainly focuses on the pollution and the unemployment problems. The residents who live near the Jinglan industrial zone concerned the pollution problem most. The workers who work in the enterprises in the Jinglan industrial zone care about the unemployment problem, and the district government will also face the pressure of unemployment if a lot of enterprises choose to leave the district. This criterion was used to find the alternative that can maximize the public value.

**Satisfaction of all the stakeholders' interests:** The last criterion is whether the alternatives meet all the stakeholders' interests sufficiently. As the decision maker, the Yufeng district faced much pressure from the other stakeholders. The political pressure from the Liuzhou municipal government, the economic pressure from the industrial enterprises, and the public opinion pressure from the residents and workers make the Yufeng district government to take their interests seriously.

Evaluation

Each solution was evaluated on the four criteria using an advantageousness scoring system that provides a decision maker with an easy means of selecting the optimum alternative for each criterion. The results are presented below in a table for each criterion.

**Evaluation on Efficiency**

Efficiency means simply the ability to meet the municipal government’s deadline. The barriers of the implement of the policy are the reluctance of some enterprises.

Table 2.1 above shows that although the first and the second alternatives set up the same deadline, the first alternative will be less efficiency because the reluctance of some enterprises will waste a lot of time. On the other hand, in the second option, only 22
enterprises need relocate, so the task can be done quickly. However, the rest of the enterprises in the Jinglan industrial zone will not relocate, so the goal of the policy cannot be achieved completely. The third alternative is more flexible in the field of efficiency because the whole task is separated as two periods. The first period task can be done before the deadline that the city government required because the district government has already finished the investigation of the enterprises. So in terms of efficiency, Alternative 2 with a score of +2 is the best option.

**Evaluation on Financial Factors**

The relocation policy will create an area of less polluting and more attractive land for developing the service industry. In addition, the city and district governments encourage the relocated enterprises to upgrade their technologies and expand their businesses when building their new factories. Therefore, for the long term, if the policy is successful, the industrial growth and the revenue of both the Liuzhou city and the Yufeng district will increase. However, in the short term, this policy will hurt current revenue income and industrial growth of the Yufeng district because of the relocation of some enterprises. In 2014, there were 10 industrial enterprises moved out from the district, thereby causing loss to the output in about $150 million (Yufeng District Government, 2015). In 2015, there will be more enterprise moved out from Yufeng district because of the enterprise relocation policy.

Table 2.2 shows that in the first alternative, if all enterprises in the Jinglan industrial zone relocate in the same time, in the long term the district will benefit from this policy, but in the short term it will cause a lot of financial problems. While in the second alternative, because only 22 enterprises need to relocate, so the government could spend less. However, it will hurt the long-term benefit. The last alternative allows the district government to pay less at present than the first option and give the government more time to pay for the rest. Moreover, the decrease of the industrial growth and the lost of the revenue will slower than the first alternative. Though Alternative 2 has the most advantages on financial factors, Alternative 3 is the best solution with the overall score of +2 because it has no disadvantages compared to other alternatives.

**Evaluation on Public Values**

Table 2.3 shows that the first alternative is the best option to solve pollution problem, but it will lead to the most serious unemployment problem. While in the second alternative, the pollution problem will still exist because some of the polluting enterprises will not move away. The last alternative will help the government to solve the pollution problem slowly but the consequent unemployment problem will be not as serious as the first option.

**Evaluation on Stakeholder Satisfaction**

Table 2.4 shows that the first and the second alternatives meet major parts of the stakeholders' interests, but ignore some of them. The last alternative combines the first and the second alternatives so that it meets the stakeholders' interests as much as possible.

According to the specific evaluation of the alternatives (see table 2.1, 2.2, 2.3, and 2.4), the final result of the evaluation is presented in the table 2.5. It shows that from the aspect of efficiency, the second alternative is more efficient. Taking the financial factors into consideration, the second and the last alternatives are better than the first alternative. While from the aspect of public value, the third alternative can create the most public
value among the three options. The third alternative can achieve the stakeholder’s goals as much as possible. In a summary, the last alternative is the best option according to the analysis and evaluation.

**Conclusion**

Based on the analysis above, it can be concluded that the third alternative is the best option for enterprise relocation in the Yufeng district for the following reasons: First, the selected enterprises and the district government have come to an agreement so it is easy for the district government to implement the policy, and complete the task on time. Second, the third alternative provides a more flexible solution that allows the district government to relocate all the enterprises gradually. Therefore, the pollution problem and land shortage problem can be well solved without causing too much economic disruption and unemployment. Finally, this alternative meet, at least, the minimum satisfaction level of relevant stakeholders.

These findings are limited because the approach was primarily qualitative and the stakeholders and their interests had to be simplified. In the reality, the Yufeng district government would need to gather more comprehensive data on them and the economic situation and employ computers to supplement it with supporting quantitative analysis.

Therefore, the next step to gather full information about relocation and technology-upgrading plans of each target enterprises, compile the relocation costs and the costs of the acquisition and cleaned up of the land so that the effectiveness of the policy for each enterprise can be ascertained. This is the kind of information district governments need to be able to enter into agreements with enterprises that will work.

Although this paper just focused on the specific policy in the specific district, the author hopes the processes that this paper followed can be uses for solving other similar cases in other places in China, or even in other countries: first, investigate the policy background and the surrounding environment; second, identify the decision maker and its goals and identify other stakeholders and their interests; third, present alternatives basing on the analysis above; next, identify the criteria; then analyze and evaluate each alternative; finally, compare result and come to the conclusion.

**References**


An Interview of a Staff Member in the Yufeng District government about the Enterprise Relocation Policy.


Diagram 1: The stakeholders and their interests of the enterprise relocation policy in Yufeng district

Table 1: The Alternatives for the Enterprise Relocation Policy in the Yufeng District

<table>
<thead>
<tr>
<th>Enterprises Selecting</th>
<th>Alternative 1</th>
<th>Alternative 2</th>
<th>Alternative 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All enterprises in the Jinglan industrial zone</td>
<td>The selected 22 enterprises in the Jinglan industrial zone</td>
<td>The first period: the selected 22 enterprises in the Jinglan industrial zone</td>
</tr>
<tr>
<td>New Locations</td>
<td>Other districts/ other industrial zones</td>
<td>The Luowei industrial zone in the Yufeng district</td>
<td>The enterprises can choose to move to the Luowei industrial zone in the Yufeng district or to other industrial zones in other district</td>
</tr>
<tr>
<td>---------------</td>
<td>----------------------------------------</td>
<td>-------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Time Schedule</td>
<td>By the end of 2015</td>
<td>By the end of 2015</td>
<td>The selected 22 enterprises will be relocated by the end of 2015, other enterprises in the Jinglan industrial zone will be relocated in the next few years</td>
</tr>
<tr>
<td>Preference Policy</td>
<td>Relocation subsidies and technology upgrading subsidies from both the Liuzhou municipal government and the Yufeng district government</td>
<td>Relocation subsidies and technology upgrading subsidies from both the Liuzhou municipal government and the Yufeng district government</td>
<td>Relocation subsidies and technology upgrading subsidies from both the Liuzhou municipal government and the Yufeng district government</td>
</tr>
</tbody>
</table>

**Table 2.1: Efficiency**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Alternative 1</th>
<th>Alternative 2</th>
<th>Alternative 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>efficiency</td>
<td>Advantages</td>
<td>The deadline has been set up and the investigation has been done, so it can save a lot of time and work to persuade them to participate in this program.</td>
<td>The investigation has been done so that it can save a lot of time and work to persuade them to participate in this program.</td>
</tr>
<tr>
<td></td>
<td>Score</td>
<td>+1</td>
<td>+3</td>
</tr>
<tr>
<td>Disadvantages</td>
<td>1. Too many enterprises need to relocate; therefore, it will need more time to finish the relocation work so that it may not be done</td>
<td>The selected 22 enterprises can be relocated quickly, but other enterprises will not</td>
<td>The first period of relocation work can be done before the deadline. The</td>
</tr>
</tbody>
</table>


on time.
2. Some enterprises don’t want to relocate, or the conditions are not matured enough, so it may waste a lot of time to persuade them or help them to solve problems.

<table>
<thead>
<tr>
<th></th>
<th>Alternative 1</th>
<th>Alternative 2</th>
<th>Alternative 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Factors</strong></td>
<td><strong>Advantages</strong></td>
<td><strong>Disadvantages</strong></td>
<td><strong>Disadvantages</strong></td>
</tr>
<tr>
<td><strong>Score</strong></td>
<td>+1</td>
<td>-3</td>
<td>-3</td>
</tr>
<tr>
<td><strong>Overall Score</strong></td>
<td>-2</td>
<td>+2</td>
<td>+2</td>
</tr>
</tbody>
</table>

**Table 2.2: Financial Factors**

1. In the short term, if all enterprises move away, the revenue of the Yufeng district will decrease dramatically.
2. The district government cannot afford the relocation costs at the same time.

<table>
<thead>
<tr>
<th></th>
<th>Alternative 1</th>
<th>Alternative 2</th>
<th>Alternative 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Values</strong></td>
<td><strong>Advantages</strong></td>
<td><strong>Disadvantages</strong></td>
<td><strong>Disadvantages</strong></td>
</tr>
<tr>
<td><strong>Score</strong></td>
<td>-3</td>
<td>-2</td>
<td>-0</td>
</tr>
<tr>
<td><strong>Overall Score</strong></td>
<td>-2</td>
<td>+1</td>
<td>+2</td>
</tr>
</tbody>
</table>

**Table 2.3: Public Values**
<table>
<thead>
<tr>
<th>Values</th>
<th>be solved quickly.</th>
<th>problems will be solved because the most polluting enterprises will move out of residential areas.</th>
<th>problems will be solved because the most polluting enterprises will move out of residential areas. Other enterprises will move to other places in a few years.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>+3</td>
<td>+1</td>
<td>+2</td>
</tr>
<tr>
<td>Disadvantages</td>
<td>1. If most of the enterprises choose to move out of Yufeng district, then the industrial growth will decrease during this transformation period. 2. The enterprises moving out to other districts at the same time might cause unemployment problems in Yufeng district.</td>
<td>Some enterprises will be in current areas so the pollution problems will still exist.</td>
<td>The industrial growth and employment rate will decrease slightly during this transformation period.</td>
</tr>
<tr>
<td>Score</td>
<td>-3</td>
<td>-2</td>
<td>-1</td>
</tr>
<tr>
<td>Overall Score</td>
<td>0</td>
<td>-1</td>
<td>+1</td>
</tr>
</tbody>
</table>

**Table 2.4: Stakeholder Satisfaction**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Alternative 1</th>
<th>Alternative 2</th>
<th>Alternative 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfy SH Advantages</td>
<td>For city/district government, the goals of reducing pollution, cleaning land, revising industrial structure, and technology upgrading are met. For the enterprises, it provides better locations than only one industrial zone. For the communities, it meets their expectations of</td>
<td>The major part of the goals of reducing pollutions, clear land, revising the industrial structure, and upgrading industrial technologies are partly met. The opinion that some of the enterprises don’t want to move immediately are heard.</td>
<td>The major parts of the goals of all of the stakeholder s are met.</td>
</tr>
</tbody>
</table>
reducing pollutions.

<table>
<thead>
<tr>
<th>Score</th>
<th>+2</th>
<th>+1</th>
<th>+3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disadvantages</td>
<td>First, it ignores the district government’s goals of increasing the industrial growth and reducing the relocation costs. Second, it doesn’t care about the fact that some enterprises don’t want to relocate immediately. This might cause the conflicts between private enterprises and local governments.</td>
<td>For city government, some enterprises will remain where they are, and all the relocated enterprises will only move to the Luowei industrial zone, so this option will not completely devise the whole industrial structure in Liuzhou city. For the enterprises, some of the enterprises want to seek more benefits from this program. They want to move to better business locations rather than the Luowei industrial zone.</td>
<td>The industrial growth and employment rate will decrease slightly during this transformation period.</td>
</tr>
<tr>
<td>Score</td>
<td>-3</td>
<td>-2</td>
<td>-1</td>
</tr>
<tr>
<td>Overall Score</td>
<td>-1</td>
<td>-1</td>
<td>+2</td>
</tr>
</tbody>
</table>

Table 2.4 shows that the first and the second alternatives meet major parts of the

Table 2.5: *The Result of the Evaluation*

<table>
<thead>
<tr>
<th></th>
<th>Alternative 1</th>
<th>Alternative 2</th>
<th>Alternative 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency</td>
<td>+1-3 = -2</td>
<td>+3-1 = +2</td>
<td>+3-2 = +1</td>
</tr>
<tr>
<td>Financial factors</td>
<td>+1-3 = -2</td>
<td>+3-2 = +1</td>
<td>+2-0 = +2</td>
</tr>
<tr>
<td>Public value</td>
<td>+3-3 = 0</td>
<td>+1-2 = -1</td>
<td>+2-1 = +1</td>
</tr>
<tr>
<td>Stakeholders satisfied</td>
<td>+2-3 = -1</td>
<td>+1-2 = -1</td>
<td>+3-1 = +2</td>
</tr>
<tr>
<td>Total score</td>
<td>-5</td>
<td>+1</td>
<td>+6</td>
</tr>
</tbody>
</table>