Public Administration in China’s Transitional Period and the Analysis of Its Reform

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The Status of China’s Market Economy and What it Requires of Public Administration of the Government

In China, before the socialist market economic system was established, “public administration” meant government administration. After 1992, the scope of public administration began to expand to include organizations that manage public affairs for the public benefit.

Such organizations include government sectors and other public social sectors; public affairs include affairs of state, affairs of inner government, and affairs of society. The public administration of the government is only a part of public administration. This paper mainly discusses the public administration of the government.

It is well known that China’s economic system before the founding of the new China was a natural economic system based on small-scale production despite the existence of bureaucratic capitalism. The economic activities were usually decided and organized independently by small producers or economic organizations, and the goods they produced were mainly for their own needs instead of exchange. The allocation of economic resources depended on habit and experience. The government’s functions in economic and social services were very weak, and were limited to such areas as the general water conservancy, public communication, etc. The size and number of government departments in charge of economic and social services were small.

The new China, established under the existing model of the USSR at the time, adopted a planned economy. The key characteristic of the USSR-style planned economy was the highly centralized management of economy, politics, culture and the social realm, which was thought to be a must for a socialist (planned management) system. The country had a uniform plan, policy, and instructions in economic management (Wang, 1998). The governmental organizations participated directly in the production and sales activities of enterprises. The government exercised its power everywhere, becoming an all-powerful government managing everything.

The instructional planning of the government was the sole means of allocating resources, which made the

Abstract: China is undergoing change from a traditional planned economy to a socialist market economy. In this transitional period, China faces the task of reforming and innovating the function of public administration, a task common throughout the world. In order to improve the effectiveness, the accountability, and the quality of service of China’s public administration, a number of issues must be discussed. These issues include: the status of China’s market economic system and its requirements in the area of public administration; the inner conflict between the development of China’s economic system and the current public administration; and the overall reform of China’s administration of the public sector (the competence of the government, governmental institutions, the personnel system and the legal system). Furthermore, this paper puts forward the notion that China’s public administration reform should center on reinventing government by developing democratic institutions and transforming the function of government — particularly in the areas of the legal system and access to information and information technology.
power of the government increase and the governmental departments grow in size. This period saw explosive growth in China’s government and relative contraction of both the private and central-local sectors of the economy (Cai, 1998).

Since the third plenary session of the 11th Chinese Communist Party Conference (CCPC), China’s economic system has undergone a change, with the realization of the problem of planning, markets, and their correlation. In the 12th CCPC, it was advocated that the planning economy should be the main form, and market adjustment should serve as assistance. In the third session of the 12th CCPC, a new concept was introduced in the document “On the Decision of Economy Reform,” stating that a socialist economy should be a planned commodity economy on the basis of public ownership.

In the 13th CCPC it was put forward that a socialist system of the planned commodity economy should be the system of inner unity of plan and market. The fourth plenary session of the 13th CCPC put forward the opinion of establishing the economic system and operating mechanism combining planned economy and market adjustment to comply with the development of the socialist planned commodity economy.

The 14th CCPC, in 1992, decided to establish a socialist market economy, assigning the market a basic role, while acknowledging that the state retained macro control over the allocation of resources. The establishment of a socialist market economy in our country has fundamentally changed the traditional rigid planned economic system.

China’s economy is far from mature compared with the western market economies. The nine-year-old market still remains to be developed, and the adjustment capability of the market is still very weak. The economy has not standardized yet, and the foundation of the legal system is weak. So, in the specific stage of development of the market economy, the trend of international political economization and economic politicization has made new demands on our government public administration (Hu, 2000).

On one level, it has become necessary to reinvent the government, and both the function and role of the government need a new orientation (Cao, 1998). The market economy requires a limit on government authority. The power of government should be limited by the rights and freedoms of the public (Ausman, 1994), and government should not try to solve the problems that the market can handle; the government need only do what the market can not do or can not do well. Since the market is of vital importance and is the key to improving efficiency, it is also the key to improving China’s international competitiveness and maintaining continuous economic gains. As a developing country in its early stages of market economy, China should take this as its guiding principle. If, in the attempt to speed up economic development, the government deviates from this course, it becomes necessary to readjust the direction according to this principle.

The government should not just reinforce its economic function; rather, it should also try to improve the function of the market and improve the efficiency of the market. It can, on the one hand, prompt economic development by using the force of the relatively independent economic entities, and on the other hand, guide the development of the market and correct market malfunctions by using planning and other means of government intervention.

Government should not restrict the relation between commodity and money, nor should it assume this relation to be the only accounting tool at its disposal. Full play must be given to market mechanisms because a socialist economy shares characteristics of a commodity economy (Cai, 1999a). Therefore, China has implemented economic reform and administrative reform by taking a market-oriented approach (i.e., increasing the power and freedom of local areas and enterprises and widening the scope of market adjustment).

China’s history of public administration reform
reveals a sequence of movements to cut the size and scope of government, and to devolve — or transfer — function and power from the central to lower levels of government or to the private sectors. In recent years, determining the size and role of government has become by far the most important issue facing China. Our reform of government public administration should focus on reversals in the size and scope of government and changes in the balance of power between the central and local governments, and distributing public affairs appropriately between government and other social organizations. In a word, reform of government public administration should focus on reinventing government and converting the functions of government.

The functions of government should be determined according to the actual level of development of the market economy. Market economies do not all develop in the same way, because the political economy of each country is very different (Heeks, 1999). So, in different stages of economic development, such as the transition from the underdeveloped agricultural country to an industrialized one, the function of the government is different. In developing countries, wide-scale decision-making intervention in the economy is typical during the early stages of development. It is part of governments’ efforts to get rid of the economic backwardness as quickly as possible and to set up an industrial and national economic system of considerable scale.

And so it is the case in China as well. In order to eliminate traditional obstacles to development and to establish economic conditions capable of enhancing economic development, it is often necessary to use government resources. The government must exercise macro control by way of giving financial support to important investment projects or by way of developing strategic products. All affairs concerning macro control over national economy should be the exclusive responsibility of the central government and its branch departments throughout the state; the local government should not intervene. This is also true of a market economy, particularly China’s market economy.

Historically, the formation of the market system has never been a spontaneous process. Polanyi, from his study of the formation of British market systems, came to the conclusion that the free market developed with the continuous and increasing intervention of the centralized power (Polanyi, 1957). Without the support and participation of the government, the market economy could not develop as required. Some South American countries (like Argentina) have a market economy and rich resources, but their economies could not develop due to the lack of effective national management (Nolua, 1992). This is a crucial point. Therefore, the Chinese government must be able to control the direction, proportion, and speed of economic development, while maintaining the order and discipline of the market, and providing social public goods and services (Wang, 2000).

The Inner Conflict Between the Market Economic System and the Public Administration of Government

The public administration of government could not exist without a corresponding economic base. Government public administration depends on the economic development in the end, a kind of economic development level that will result in the same kind of government public administration. The government public administration will also depend upon the phase of economic development. So, inner conflicts will certainly occur between the development of China’s transitional socialist market economy and the government public administration based on the planned economy.

In a market economy, economic relationships are based on equal competition among independent participants. As discussed above, the change of the economic development requires a corresponding change in the
functions of the government. The government cannot enforce micro control over economic affairs. The government and enterprises should be separated, making enterprises real market participants with the freedom to operate and to take responsibility for their own losses and gains. The original powers of self-determination of production and operation should be given back to enterprises. The functions of the self-adjustment transfer to the market and the auxiliary, technical, and service functions are left to the institutions and service organizations. This gives full play to the market in allocating resources.

However, the government public administration based on the planned economy is characteristic of the combination of government and enterprises, where the government directly intervenes in the production and operation of the enterprises. This makes it impossible to form an investment system with scientific decision-making, and can easily make responsibility and decision-making unclear, which makes it hard for the market to exert its function in allocating resources.

Economic and social affairs were managed mainly by administrative means. Many affairs have been solved through governmental intervention rather than through economic or legal means or through social media. Thus, too many social responsibilities and affairs were centralized in the government. The government organs became unwieldy and overstuffed. This gave rise to bureaucracy, corruption, and other unhealthy tendencies, and also created a heavy burden on state finances (Xin, 1995). Conflicts between the government’s administration of the planned economy and the ever-developing market economy are unavoidable.

Manifestations of Inner Conflicts

First, the government has trespassed on the authority of social intermediary organizations, letting its unwieldy and overstuffed institutions of the planned economy deal with the affairs that should have been the responsibilities of the social intermediary organizations, both as “player” and as “judge.” This seriously hinders social justice and burdens the government with daily trivialities, thus decreasing the efficiency and capability of government public administration.

Second, the government has trespassed on the authority of the enterprises. The government set up a large number of institutions with strict microeconomic control over the enterprises in their management and operation, handling all issues big or small concerning personnel, finance and materials. This certainly leads to excessive intervention in economic affairs. As a result, the government runs into difficult situations, the enterprises lack vitality, and the social efficiency as a whole is lowered (Kong, 1997).

Third, the government has trespassed on the authority of social groups. The government has too strictly controlled the activities of social groups. The independence of the social groups is not properly respected; this restricts their initiative and creativity, and limits their functions in the society. At the same time, it not only increases the burden on the government, but also weakens the macro control of the government over society.

China’s Response to the Inner Conflicts

In order to eradicate these inner conflicts and to ensure that the government public administration adapts to the needs of a market economy, China has initiated reform of government public administration. Generally speaking, there are four elements of the current reform of government public administration in China:

- Government reform was to change the political focus of the governmental functions to economic and social functions, from “defense and rule-making” to “management and service,” from a highly centralized, “all powerful government” to “power-limited government.”
- Executive power reform was to decentralize the government’s management of ordinary affairs, and to centralize the government’s management over
macro affairs, while giving power to enterprises and social organizations.

- Reform of the relationships between the central and local governments was to let local governments share certain powers with the central government. It was to change the balance of power and finance between the central and local government.
- Reform of the pattern of public administration was to change the rule of man and executive means to the rule of law, legal, and economic means, and to begin constructing a government legal system (Cai, 1999b).

Several Issues in the Reform of China's Public Administration in Transitional Period

China has made remarkable progress in the reform of government public administration in shifting from a planned economy to a market economy. However, it is necessary to pay more attention to the following issues on the basis of the existing reforms.

Government Competence

Executive power is an important part of a country's public power. It is the foundation of government public administration (Xia, 1998). To a certain extent, the change in the power structure is the core and essence of reform. Without great change in the power structure, the reform of public administration will end in nothing, and the function of the government will not be changed. Looking back at the experience of the reform of public administration of our country, it is not hard to find evidence that all the reforms are conducted in the same mode. Namely, the main purpose of the reform is to adjust the relationships between the central and local governments and make new divisions; the main content of the reform is to reduce institutions and staffs; the main reform manner is the planned implementation from the top to the bottom; the main reform object is bureaucracy, and so on. But these reforms generally neglected or avoided the subjects of executive power and the balance of their respective power and responsibilities, neglected the definition and limit of the power, and the means of exercising the power in the course of interaction between the subjects of executive power and other social organizations.

The function of the government is the effectiveness of government's exercising its executive power. The function of government includes two aspects: one is what government should do; the other is how the government should do it. The function of government is closely related to the executive power and takes the executive power as its basis, and to transform government's function is mainly to transform the government from "power unlimited government" to "power limited government" (Zhang, 2000).

Why does the power of government need to be limited? The reason is that government is short of self-discipline and always seeks to expand itself. There is no social order without public power; however, government's power may also become a force that is alien to society and may even impinge on people's rights. Power should be limited, and small government is "power-limited government." As Thomas Jefferson's philosophy states: "the best government is the least government" (Lowi and Ginsberg, 2000).

Constructing limited government is only the first step in redefining and reinventing government, because "limited government" is not equal to "competent government." Limiting government's power should be based on the definition of the function of government. China's reform only pays attention to government downsizing; although the transformation of the functions of government has been put forward, it has not yet been practiced.

In China, the transformation of government's function depends on: a) the eradication of the portion of government power which formed under the planned economy and hampered the establishment and development of the market economy; b) the real and complete return to enterprises of the power of management and operation denied them under a planned economy; c) the reasonable separation of powers between different branches of government and the distribution of the over-centralized power to the lower government; d) the transfer of powers held by the government to social intermediary organizations; e) the establishment and reinforcement of powers of the government in the macro control over the market economy, and in the
management and supervision of the state owned assets and social public service power; 2) development of a government public administration system, which can initiate government performance reform and improve internal management.

All these powers should be stipulated in the form of law so as to effectively regulate the economic activities of the government. This is also the requirement of the highly legalized socialist market economy. Therefore, the transformation of the government's function means the reform of executive power.

The key point of the government power reform is to solve the problem of power monopoly, the lack of a legal basis for power, the lack of an adequate system of "checks and balances," and the resulting chaotic relationship between the central government and the local governments.

Reform of Government Institutions

An obstacle to the reform of government institutions has been the cyclical nature of contraction, expansion, and "recontraction." This cycle is caused by the fact that the institutional reform did not begin with the key problem, that is, to reform the competence of the government and to transform the function of the government. It is also caused when emphasis is placed only on cutting the number of the institutions and changing the relationships between others.

This persistent problem is due to the fact that the reform of government institutions has not fundamentally broken the existing mode of the public administration system. The reform has not touched the key part and basic pattern of a highly centralized government that is so integrated with enterprises. The difficulty is because the institutional reform is not uniformly programmed and the measures of the reform lack a sufficient legal basis. And past reforms were limited to changing the size of individual departments. It did not grasp the core issue that social economic relationships decide the function of the government. It did not grasp the theme of adapting to market economy to plan, design, and work. As a result, when the problem in one department was solved, problems in other departments emerged.

Therefore, in the transitional period, any reform must incorporate the triangle of relations between (1) enterprise which is a legal entity and a participant in market competition; (2) the market systems which play basic roles in the allocation of resources under the adjustment and control of government; and (3) the government adjusting system which fits the development of the socialist market economy.

Specific reforms are:

- Transform the government functions and separate the government from enterprises in accordance with the requirement of a developing market economy — that is, to shift the function of the government to macro control, social management and social services (Sang, 2000).

- Unite or cut specific administrative departments and special institutions in the comprehensive departments; to transform economic departments into macro control departments; to duly strengthen the departments of decision-making, consultation, adjustment, supervision, audit and information; to change the working manner of the comprehensive departments so as to improve the macro control capability of the government (Luo, 1998).

- Implement the principle of simplification, uniformity and function, adjust the framework of government organization, strengthen departments which supervise the implementation of laws, adjust and decrease special economic departments, and develop social intermediary organizations; to rectify all administrative companies and the institutions upgraded in recent years, and cut the overstaffed institutions.

- Deal with the personnel adjustment.

- Establish the system of responsibilities for specific posts level by level, and enhance the quality and efficiency of work.

Reform of the Personnel System

To meet the needs of the developing market economy, the reform of the personnel system in China should revolve around reforming the centralized uniform management along with the serious phenomenon of rule by man. Attention needs to be paid to establishing and perfecting the method of analyzing the work of governmental departments, sorting and
The Construction of a Governmental Legal System

Administration by law and the construction of a governmental legal system consists of two indispensable elements: the administration of social public affairs by law and the control of government itself by rule of law (Cai, 2001). However, the past reform of public administration in China laid emphasis only on the first element, neglecting the second, thus making the phenomenon of the leader’s will in the course of government public administration more and more critical. It also delayed the enactment of uniform organizational law, the law of the relations between the central and the local governments, the institutional law of the government, and the law of civil servants.

Therefore, in the transitional period, the premise for implementing the modern legal principle, making the government conduct affairs on a legal basis and according to law, is to promulgate and perfect the law of the nature of generality, significance, and codification. The law should provide for the status, function, and scope of activities of the government in the development of a market economy; the basic principles for the government as administrative activities; the relations of the function, duty, and authority of the government in its administrative activities; the responsibilities of the government, including the content and application of administrative, political and legal responsibility; the responsibility system of administrative heads and the basic requirements for administrative posts; the respective characteristics, tasks and work division of the statute, regulations, decisions and orders in the system of the government administrative law and their mutual relations; the content, measures and competence of the government in law execution; the content, sphere and guiding line of the government judicature; and the system, characteristics, measures and principles of the supervision of the government legal system. This is the basic work necessary to strengthen government administration by law and legal construction. In practice, it is the lack of this basic general norm that make it hard to prevent and overcome such shortcomings as “each does things in its own way”—serious phenomena of discretion at will and bureaucracy etc. which would eventually leave the government public administration activities with no law to abide by.

In addition, attention should also be given to the questions of the uniformity and specificity of the legal system, of the relations between the legislation of the central government and that of the local government, and the competence of the government to make executive legislation.

The construction of a governmental legal system should comply with and reflect the development of the rules and requirements of a market economy. If the administrative legislation of government is confused with the legislation of the state, the inversion of the two brings into doubt the integrity of the legal system (Zhou, 1998).

In the transitional period, the lack of proper understanding of the rule of law results in the promulgation of many executive rules and regulations without constitutional legitimacy or proper authority. Although some of them reflect the new requirements of a market
tendency needs to be considered and overcome in this transitional period. We must emphasize the administration by law and strengthen the construction of the legal system (Cai, 1999c).

Conclusion

We are functioning in the socio-historical background of a market economy developing in the information age along with the democratization of politics and a globalization of the economy. On the one hand, China has had a long period of planned economy, and lacks a democratic and legal system. We should seek new theories to define the relationships between the state and the society, between the public and the private, and between the government and the market, from the planned toward the market economy, from tradition towards modernity. We should take into consideration China’s development stage and actual circumstances.

The reform of the public administration of China cannot help but participate in the wave of global administrative reform, nor can it jump over the necessary stages of the development of public administration. Instead, it should study comprehensively and learn from the measures of reform adopted by the western countries in different stages. China’s current public administration still must adopt mandatory measures in many areas, as is characteristic of traditional governing. It also needs to adopt more democratic ways of participation so as to make public administration more “public” and make the administration relatively independent from political control. Reform of China’s public administration shoulders heavy responsibilities in this transitional period.

Why does public administration need to reform? Public administration reform is usually thought of as a means to an end, not an end in itself. To be more precise, we should perhaps say that it is potentially a means to multiple ends (Pollitt and Bouckaert, 2000). These include making savings in public expenditures, improving the quality and accountability of public services, making the operations of government more efficient and increasing the chances that the policies which are chosen and implemented will be effective. On the way to achieving our important objectives, pub-
lic administration reform may also serve a number of intermediate ends, including those of strengthening the control of politicians over the bureaucracy, freeing public officials from bureaucratic constraints which inhibit their opportunities to manage and enhancing the government's accountability to both the legislature and the citizenry for its policies and programs.

What is public administration? This question can be answered in a number of different ways. I think the significant aspects of public administration reform should include reinventing government, and public administration reform should by no means be separated from reinventing government. Government reinvention is largely a new terminology and repackaging of longer-term processes of public sector reform (Heeks, 1999). Such processes have been particularly prevalent since the 1970s in western countries, and since 1978 in China. But China's reform only pays attention to downsizing government, not to reinventing government; only pays attention to the efficiency of government, not to the capability and accountability of government; only pays attention to the effect of human elements, not to the effect of law, even taking law to be only a kind of political tool for state and government to govern society. In my opinion, to understand what is meant by reinventing government, we must therefore first understand what is meant by public administration reform — namely the change within public sector organizations and their functions that seeks to improve their efficiency and public accountability, and to improve their performance (Osborne and Gaebler, 1992). The reinventing government movement, however, too quickly brushes away the internal inconsistencies within its own theory. Three threads of the reinventing fabric — downsizing, reengineering, and continuous improvement — compete to define it (Kettl, 1994).

From an historical perspective, for the future, China's public administration reform should center on reinventing government, developing democratic institutions, transforming the function of government, forming a practicing legal system, and widely using information technology. China's reform and reinvention of government depends on resolving difficult political and technical problems in public administration.

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